BUSINESS WORLD VOL 6,1986

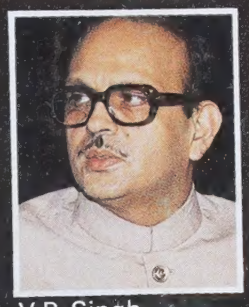
BusinessWorld

magazine for Indian business

LIBRARY & DOCUMENTATION UNIT
C.F.T.R.I., MYSORE



D.N. Patodia



V.P. Singh



Ramkrishna Bajaj

Morals & manners in Indian industry

Textiles: time to grasp the nettle

Introducing Eveready Super with advanced Zinc Chloride technology Super charged for maximum power and life



Eveready presents a new genera
of high technology Zinc Chloride ba
New Eveready Super.
Eveready Super's advanced techn
is designed to give you
unmatched performance
in your power-hungry
modern machines like two-in-o
cassette recorder, Walkman,
electronic toy and photoflash
In your modern machines nothi
outlasts Eveready Super.

New Eveready Sup

Designed just for yo modern machines



VOLUME 6, ISSUE 1, MARCH 31 – APRIL 13, 1986

BusinessWorld

the magazine for Indian business

Editor
Dilip Thakore
Assistant Editors
Debjani Sinha
Michael Neri
Special Correspondent
Binu S. Thomas
Calcutta
Special Representative
Sujoy Gupta
Delhi
Anand P. Raman
Bangalore
N. Raghavan
London
Seetha Kumar
Far East correspondent
Sheila Kumar
Sub-editor
Indira Khanna
Art Director
Bipul Guha
Production
Mohan Nair
Layout
Mohan Nair
Hajoo Aslam E.

☐Head Office & Regd. Office
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700 001
Telephone 278000 & 274880
☐Regional Offices
Bombay
145, Atlanta
209, Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone 240581, 241083

Delhi
1/7 IENS Bldg
Rafimarg
New Delhi-1
385401 Ex. 37
383058 (Editorial)
Phone 389078 (Advtg)

Madras
Dents Garden, 18, Pattulos Road,
Madras 600 002
Phone 89379 & 81713

Bangalore
14, Madras Bank Road
4th Floor,
Bangalore 560 001
Phone 568227 & 568228

London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC 4
Telephone 01-353-1821

Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

☐Editorial office
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone: 221178 & 241083

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

Why not save 20%

Money back guarantee

We are confident you will enjoy **BusinessWorld.** Confident enough to refund your entire subscription within two months if you are not satisfied.



Send me the following issues of

BusinessWorld
the magazine for Indian business



My cheque is enclosed

Mail my copy to

Name

Address

State

Pin code

Subscription Rate (In India)
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

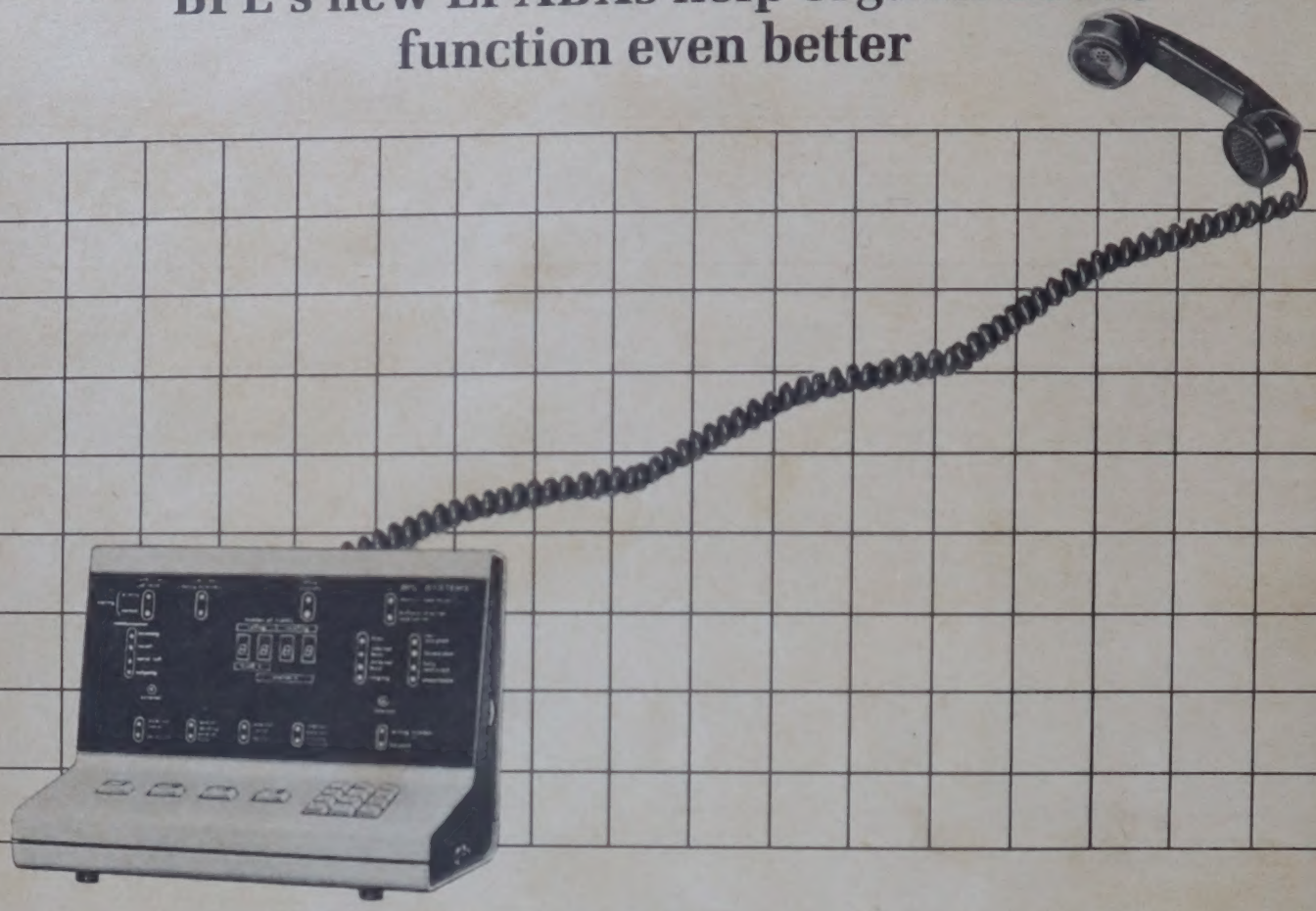
Please draw cheque in favour of
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700 001

Rs 3 extra for outstation cheques

Please tick
☐ One Year
☐ Two Years
☐ Three Years

Experience proves it

BPL's new EPABXs help organisations function even better



Ask Canara Bank, Colgate Palmolive, Johnson & Johnson, Madura Coats...

BPL is the first company to give the country a microprocessor based electronic PABX. An exchange to match international standards. Enhance office productivity. Control telephone expenses. Today, BPL's EPABXs are functioning satisfactorily in a number of Banks, Government offices, Corporate and Multinational organisations. All over the country. And the unique functions of the EPABX continue to keep it way ahead of the rest.

Take a look at some of the features of the EPABX. It can truly revolutionise the way your people talk and listen. Multiway conferencing, Call forward,



Follow me, Auto call back, Priority and many more. It's just the system you've been looking for. A system that you can depend on. Get one to work for you – Now!

BPL's EPABX manufacturing infrastructure is supported by seven integrated factories, three R&D units, facilities for in-house manufacture of critical components, comprehensive tool rooms and PCB plants.

The Electronic PABX from BPL – **The Single Largest Integrated Source of Office Automation Products in India.**

BPL-INDIA

In pursuit of perfection

Computers ● Communication ● Components
Instrumentation (Industrial, Medical & Measurement) ● Office Automation ● Consumer Electronics

Central Marketing Organisation: BPL-Centre, 32, Church Street, Bangalore – 560 001. Tel: 572321/2/6. Telex: 0845-511.
Branch Offices at: Bangalore, Bombay, Calcutta, Hyderabad, Madras, New Delhi, Palghat.

1193

The date of release of this — the 127th — issue of *BusinessWorld* is a special one for us. It marks the completion of five years since this fortnightly appeared on the newsstands all over the country.

In the period of time that has elapsed since 30th March 1981 when, somewhat hesitantly, we sallied forth with the one and only biographical magazine cover feature on the late G.D. Birla, I believe *BusinessWorld* has attained a style, maturity and product consistency which is distinctive. A matter of particular satisfaction is that over the past quinquennium we have been able to develop a complement of writers, each of whom has developed the art of handling our information-laden lead features with mature competence. Recently when I took three months off to write a novel (which should see the light of day in printed form early next year), *BusinessWorld's* editorial team rallied around effectively enough to take newsstand sales off the plateau on which they were cruising for some time. I don't think the loss of my delusions of indispensability did me any harm either.

However, it is not for me to say what *BusinessWorld* has achieved by way of providing information, coverage and insights to our steadily growing readership. That properly is the function of the people who pay for this journal — both readers and advertisers. From our side of the divide, let me assure purchasers of the journal and those who buy space within it that we shall continue to accord the highest respect to their views and publish these in our letters to the editor pages without fear of consequences.

It seems somewhat appropriate that the subject matter of our cover story as we begin our sixth year should focus on a broader issue than a corporate profile. The recent tax raids mounted by the Union government on some of the most respected names in the private sector of Indian industry have evoked mixed reactions. The dominant reaction in industry has been of anger and outrage. On the other hand, the reaction in society in general has been one of quiet satisfaction that an overdue cleaning up operation has finally begun. In this fortnight's first-of-its-kind story we examine the dimensions of the crisis of morality and manners and its implications for industry and society as a whole.

And in our spotlight feature, we present a clear and uncluttered analysis of the deep-rooted problems of the country's oldest and most labour-intensive industry.

Arun Shourie

Cover transparency by Abhay Tamhane.

IN THIS ISSUE



32 Morals & manners in Indian industry
The Union government's tax raids mounted on some of the most respected names in Indian industry have highlighted a crisis of morality which permeates the corporate sector. *BusinessWorld* reports.



50 Textiles: time to grasp the nettle
The additional levies proposed in the Union budget fly in the face of the new textile policy announced with great fanfare by the government on 6th June 1985.

11 The perils of retreat
J.D. Sethi is a former member of the Planning Commission.
12 The private placement debate
M.D. Mukhi is the president (merchant banking division) of Batliwala & Karani, Bombay.
19 Missing managerial input
R.J. Venkateswaran is a Calcutta-based management consultant.
20 A lack-lustre budget
H.P. Ranina is a well-known Bombay-based advocate.
26 Managing the corporate PC
T.A. Balasubramanian is a senior systems officer in the Hindustan Petroleum Corporation.
30 Job enrichment basics
Arun Monappa is a professor at the Indian Institute of Management, Ahmedabad.
45 Trade fairs & symposia
P.V. Satyanarayana is a Bombay-based management consultant.
49 Feedback blockades
Walter E. Vieira is a Bombay-based management consultant.
63 Crusader journals
Darryl D'Monte is a former resident editor of the *Indian Express*, Bombay
65 The other viewpoint
Manik de Silva is a correspondent of the *Far Eastern Economic Review*, Hong Kong.
73 Crisis of confidence
Wong Sulong is a correspondent of the *Financial Times*, London.

4 Editorial
5 Letters to the Editor
8 Last Fortnight/Next Fortnight
11 Political Comment
12 Banking & Finance
12 Business News
19 Economic Comment
20 Taxation
21 In the News
26 Computers
27 Careers
29 The Professionals
30 Management
32 Cover Feature
45 Business Information
46 Book Serial
49 Marketing
50 Spotlight
63 Mediatrends
65 Letter from Colombo
65 International News
73 Letter from Kuala Lumpur
74 International Briefs
75 Company News & Events
79 Investment
80 Stockmarkets
82 Commodities
83 Economic Review
84 Offstage

The weak ideological foundations of the new generation government

Fifteen months after it was voted into power with a landslide majority in Parliament, the brave new policies — especially economic policies — of the Rajiv Gandhi administration are causing chaos and confusion within the economy. The confusion, contradictions and often meaningless chopping and changing of existing laws, rules and regulations which characterise the Union budget proposals for 1986-87, are of a piece with the emerging one step forward, two steps back style of the administration in New Delhi.

It is becoming increasingly apparent that with the passage of time, the prime minister and his closest aides are beginning to entertain second thoughts about the radical (in the Indian context) policies which the government has introduced with great fanfare from time to time. Indeed, a stock-taking exercise which evaluates the headway made in the implementation of the statements of intent and new policies enunciated by the Union government, is likely to reveal that most of them are bogged down by contradictions and afterthought.

Such hesitation and afterthought in the wake of its initial undue haste at the policy formulation stage, has unfortunately emerged as the hallmark of theRajiv Gandhi administration. It is well known for example that at the first All India Congress Committee meeting held on 5th May 1985, shortly after the Congress(I) was returned to power in New Delhi last year, an economic policy resolution which would have jettisoned the socialist ideological baggage, which is a drag on the economy, was on the point of being pushed through by the party leadership. However, at the last minute, the prime minister was persuaded to reaffirm the party's faith in the primacy of the public sector and the peculiar brand of indigenous soft state socialism

Obvious bias

Nonetheless, the ritual affirmations of faith in the public sector notwithstanding, the obvious bias of the Central government leadership in favour of private sector industry shows through clearly. Which is only as things should be, given the manifest inability of the public sector enterprises to efficiently utilise the massive resources — estimated at Rs. 70,000 crores (Central and state government enterprises)—invested in them.

This socially beneficial bias is evident in the Seventh Plan policy document, in which for the first time in the history of the centrally planned economic development effort, the outlay of resources in the private sector of the economy was projected as being larger than in the public sector. The presentation of the Seventh Plan document to Parliament followed hard on the heels of a Union budget for 1985-86 which slashed direct taxes for individuals and the corporate sector; liberalised the country's archaic industrial licensing laws by raising the threshold limits of the MRTP Act, and liberalised the country's draconian import regulation policies.

Predictably, these eminently rational economic policies aroused the ire of the nation's die-hard breed of penny-wise pound-foolish socialists and assorted leftists, who promptly labelled the Rajiv Gandhi administration as "pro-rich and anti-poor." In a curious reaction to such expected criticism, instead of mounting an offensive to explain the rationale of its relatively liberal economic policies to the people, the Union government launched its infamous tax raids on some of the most respected individuals and establishments in the private sector of industry.

Yet such is the policy confusion and lack of direction within the inner councils of the ruling party and the Central government, that the political mileage that may have been derived from the tax raids on the private sector was vitiated by a tactically stupid increase in the administered prices of a wide range of essential commodities, on the eve of the budget session of Parliament.

Even if there was a good case for raising the prices of these essential commodities, as government spokesmen not entirely unconvincingly argued, there can be no two opinions that the timing and, particularly, the bunching of price increases was painfully naive. And the popular indignation that the increase in the administered prices of these essential commodities provoked undoubtedly influenced the shape and content of the Union budget for 1986-87. Large allocations have been made for populist anti-poverty programmes in a budget which has all the hallmarks of the Rajiv Gandhi administration: a lack of thrust or direction and a lot of untidy loose ends.

Nor is this slapdash and indecisive style of government confined to the sphere of economic management. The unravelling of the Punjab accord, the Sri Lanka peace initiative and the extraordinarily obtuse reaction to the judgement of the Supreme Court in the Shah Bano case, are all instances of this emerging style of administration in New Delhi.

Yet what is the explanation — and there has to be one — for this dithering style of government of the brave new generation which was swept to power in New Delhi last year with the largest mandate in Indian electoral history? The answer to this question is to be found in the lack of ideological commitment in the incumbent administration at the Centre. In the sphere of the management of the economy in particular, the weak ideological foundations of the Rajiv Gandhi government have stampeded the administration into making drastic U-turns when confronted with criticism from spent forces in the ruling party and the media.

But, it is submitted,there is no rational reason for the prime minister to be as sensitive as he appears to be to charges of being partial to the ideology of the defunct Swatantra Party, as is charged by media pundit Girilal Jain. The world over, the amorphous socialist model of development implicitly espoused by Jain is being rejected by public opinion. Certainly, in India it has been tried at great cost in terms of human suffering, and found to be wanting.

Failed socialist model

It is not difficult to discern that the heart of the Rajiv Gandhi administration rightly favours a regulated socialist model of economic development. But calculations relating to political expediency persuade it to persist with flogging the failed socialist model. The consequence is a style of government which lacks a sense of direction and flounders in a sea of contradictions.

In this connection, the prime minister would do well to derive some inspiration from the ideological resoluteness of the much maligned Mrs. Thatcher in Britain. Though her rating in the opinion polls currently is unenviable, there is no doubt that she has almost completed the superhuman job of restructuring and revitalising the British economy.

Such ideological commitment and resolution is alas! conspicuously lacking in the Rajiv Gandhi administration. Little wonder that it flounders in a sea of confusion.

C. F. T. R. I.

In-built bias?

SIR—Your cover story, 'Consumer products of the eighties' (*BW* February 17-March 2) made interesting reading, particularly in today's context when the marketing manager is faced with an unprecedented boom in the consumer goods industry, accompanied by a growing intensity of competition. It's good to know about what went into making a particular product successful.

The methodology followed is quite valid, considering the nature of comparison between dissimilar products and product groups. However, there does seem to be an element of in-built bias in the results. The order in which the products appeared in the list of 25 successful products, seems to have played an important role in the choice made by the experts. This is quite evident from the composite list which features the first 11 products from the original list of 25. As expected, the first four products got the maximum votes as a result of their position in the list. Had the order of the products in the list been changed for each expert, the results would have certainly been different. The above conclusion has been drawn on the assumption that the product list is the same as the one which appeared on page 43 of the feature.

On the whole the article made satisfying reading. I hope *BW* features more such articles in its future issues.

Shivnath Misra
New Delhi

The order in which the 25 successful consumer products are listed in the feature is not the same order in which they were presented to BW's *expert panel. As a matter of fact, the precaution of presenting a differently ordered list to each expert was taken in order to eliminate the possibility of bias*—Editor.

Methodology infirmity

SIR—The cover story on the *BW*-MARG poll on respected companies (*BW* February 3-16) made interesting reading. However, apart from the fact that its scope was larger—the pollsters having more resources at their command—it bore a startling resemblance to the market research projects churned out by budding MBAs at the IIMs, whose main resources are their ingenuity and slickness of presentation, all geared towards securing an 'A' in their marketing courses.

Why wasn't the competitive environment in which your respected companies operate, admitted into the analysis? The bottom line—a phrase used with relish by *BW*—should always be viewed with reference to competition, the product market characteristics, the degree of working capital intensity, etc., especially in any comparative analysis.

Do we define 'quality of products' vis-a-vis competition or as a nebulous concept open to respondents' interpretations? It would also be illuminating to find out the proportion of your respondents who have worked in any of the top 10 companies. A lot of the poll is, to my mind, a prophecy which has been self-fulfilled.

Sandeep Puri
Surat

Sanjay Bhattacharyya of MARG replies: *While Mr. Sandeep Puri raises several interesting issues such as the inclusion of various environmental, financial and competitive parameters which mould corporate respectability, it has been our experience that often an elaborate questionnaire vitiates responses to a poll by puzzling respondents. While this is no defence of our methodology, we would like to mention* en passant *that* Fortune *polls on corporate reputations also employ virtually identical attributes. However, we in MARG would welcome a detailed note from Mr. Puri, which specifies how to practically implement his suggestions.*

Curious selection

SIR—Since being introduced to *BusinessWorld* a few months ago, I have been an avid reader of your investment column.

However, I am unable to understand why the selection of scrips in Portfolio A 'for steady income' is confined to low yielding shares instead of high yielding ones. I have observed from the stock-market quotations produced on pages 84-85 of *BW* (February 3-16) that some shares still yield well over 10%, e.g. Macneil & Magor (23.8%), Vallabh Glass (20%), Amar Dye Chem (16%), Frick India (11.4%), Aruna Sugar (11.2%).

I do not know anything about these companies, but if they do pay steady high dividends, wouldn't it be logical to go in for these shares in preference to those which are now on the list, so that a portfolio A holder achieves the objective of earning a steady income? Surely "steady income" does not imply a "steady low income on investment."

A second point also needs to be made: Isn't high yield a reflection of the fact that these shares are grossly underpriced at presently—in which case the investor could, I suppose, legitimately expect them to appreciate substantially in due course. The question naturally arises: why are these shares still quoted at relatively low prices in a market which is fundamentally bullish?

R. Narayanan
Dubai

Artymon replies: *Yes, yield certainly is an important consideration to be borne in mind while selecting the scrips for portfolio A. But my brief was also to ensure that the selected scrips have some prospects of capital appreciation. Being situated in Dubai, Mr. Narayanan is probably unaware that Amar Dye Chem and Aluminium Industries have not been paying a dividend for at least the past three years. The same has been the case with Aruna Mills and Vallabh Glass in recent years, with the latter company having run into the risk of being taken into liquidation.*

The scrips included in portfolio A are those which are actively traded on the market and fancied by buyers for prospective appreciation. Therefore, these scrips are invariably highly valued in relation to the yield in terms of dividend. Besides, for easy liquidity, it is necessary to restrict the portfolio investments to scrips which are actively and regularly traded on the market. Neither Macneil & Magor, nor Frick India can qualify for purchase on this consideration, and they also do not offer much prospect of capital appreciation.

A steely silence

SIR—We have neither received refund orders nor heard anything from Steel Strips Ltd. in respect of our fixed deposit applications aggregating Rs. 8,000, despite sending the company four registered letters as reminders.

The applications had been submitted in the last week of July and cheques had been encashed by the company in the first week of August 1985. The company's managers to the issue say that ours is not the only case, and a large number of applications are in a similar mess. If there is a genuine problem, the company should send explanatory letters to the depositors, who are totally in the dark and feel as if they have thrown their money into a black hole.

Anita Jain
Rita Jain
Delhi

Alumni update

SIR—We are updating the list of alumni of the various post graduate and executive development programmes since the inception of the Indian Institute of Management, Bangalore and would be grateful if you could kindly publish this letter in your periodical.

All alumni of the Indian Institute of Management, Bangalore are requested to send their current official and residential address to: Area Representative, IIM-B Alumni Association, 9 Rest House Crescent, Bangalore 560001.

Area representative
IIM, Bangalore

HLL's example

SIR—The government of India, the ministry of finance and the department of economic affairs (stock exchange division) have clearly instructed the banks (*vide* their circular No. F 1/35/SE/82 of 2nd September 1985 and No. F 2/7/SE/79 of 14th December 1981) not to collect any collection charges for dividend warrants from depositors on interest on debentures and bonds, and on redemption money of debentures, bonds and preference shares.

Inspite of this clear instruction, banks do charge the collection charges,which are very high. The best way to avoid this unnecessary and illegal harassment of the suffering investor would be for a public limited company to follow the recent example of Hindustan Lever Ltd., which issued interim dividend warrants in December 1985 with a clear footnote which reads, "This warrant must be discharged by the payee on the reverse and is (1) payable at par at all branches of Punjab National Bank (PNB) in India, (2) at centres where PNB does not have a branch, instrument is collectable at par with collecting bank's charges if any to be claimed by reference to presentation at counter at Punjab National Bank, Foreshore Road, Bombay branch."

I hope the finance ministry, the stock exchanges and the public limited companies will take immediate steps to remedy this grievance.

Ashok G. Saraff
Belgaum Investors' Association
Belgaum (Karnataka)

Ghosh was willing

SIR—I would like to draw your attention to the cover story article by Sujoy Gupta (*BW* December 9-22, 1985) under the title 'The power and perks of the old-boy network.' On page 43, a statement is made that "Major General Shyamal Ghosh, chairman and managing director, Bharat Electronics Ltd., Bangalore, politely declined to be drawn into a conversation on the power and puissance of the old-boy network with *BW*." This statement is not correct.

On 13th November, N. Raghavan, your Bangalore correspondent, had telephonically given me a questionnaire for General Ghosh and I had told him that he was not available for the next two to three days and, therefore, I would not be able to tell him whether General Ghosh would like to reply to the questionnaire or not. When he returned from his tour, General Ghosh replied to the questionnaire on 19th November, which was forwarded to Mr. Raghavan by the undersigned.

Mahendra Prasad
Chief of public relations
Bharat Electronics Ltd.
Bangalore

A communication error seems to be involved here. Mr. Prasad had told our Bangalore correspondent that though Major General Ghosh had returned to Bangalore and had apparently seen the questionnaire, he had not indicated whether he was going to reply to it or not. Mr. Prasad told Raghavan that in his view, General Ghosh may not be inclined to respond. When General Ghosh did respond, however, the deadline for the cover feature had passed—Editor.

Advice to Iaccoca

SIR—I have been regularly reading the management column by Lee A. Iacocca in your magazine.

Lately he has started pontificating. Iacocca's achievement in salvaging Chrysler and putting it on a profitable track is indeed praiseworthy. I think he has received his due share of accolades from all over the world. Even his autobiography was a best-seller. Moreover, there is talk of his being drafted by the Democratic Party for the US presidency.

All this is fine in capitalist America. After all, their religion is money and money comes from successful businesses. However, somewhere along the line, even this great man has been overwhelmed by the spotlight that has been turned on him, and he has started thinking of himself as a superman, a messiah come down from the heavens to solve all the problems of the American economy.

In his brilliant (*sic*) article: 'Putting America back on the rails' (*BW* February 3-16), he has listed almost all the countries which exercise some controls on imports from the US. All through his discussion, he has conveniently forgotten the controls which America imposes on imports from many countries, particularly the developing ones. The fact that this is done purely at the US government's behest, is too well known to be disputed. Why else would there be stringent quota restrictions on the export of Indian textiles to the US, when the same goods can be routed through next door Nepal without any limits?

If Japan has succeeded, it is by beating the Americans at their own game. Its success is not due to any great help given by the US, or for that matter due to restrictions on imports from the US but due to Japan's extremely high productivity in manufacturing and, even more important, due to its better understanding of American consumers. By producing exactly what the Americans want, Japan has achieved supremacy in its chosen fields. I don't think Japan's success in the global marketplace is the result of unfair trade practices.

America has never helped any country in the world to industrialise and progress without some ultimate benefit to itself. There is not a single example. If the Americans are hogging Japanese goods, it is only because they find them better value for money.

Iacocca should slow down for a while and look into the rot that set in in American industry. He could have a lot of work to do there.

K.S. Kalra
New Delhi

ITDC regrets

SIR—This is with reference to the letter addressed to the editor: 'Tourism ITDC style' (*BW* December 9-22, 1985), from Mr. Dholakia. We hereby would like to convey to Mr. Dholakia our sincere regrets for any inconvenience caused to him during his stay in Aurangabad. We would like to assure him that we will put in our best efforts to make his stay, as well as his tours to Ajanta and Ellora, very comfortable during his next visit to Aurangabad.

Anil Malik
Manager
Hotel Aurangabad Ashok
Aurangabad

Questionable selection

SIR—I was surprised to see in your cover story on the most successful consumer products of the eighties (*BW* February 17-March 2) that the New Brain computer launched by Megabyte is one of them.

The fact is that there is no explanation from any of the panel members, justifying the incorporation of Megabyte computers in the list of successful products, just like the individual write-ups on other products in the same list.

Because of this lack of justification, the inclusion of Megabyte computers appears highly subjective on the part of one or more members of the panel of judges. But apart from that, it would also be evident to anyone who is familiar with the field of computers and would bother to refer to the issues of the three computer magazines *Dataquest, Computerage* and *Computers Today*—which together should be able to provide an assessment of the various computer products in the market—that there are several other products which are regarded as successful on criteria similar to those used by your journal and that Megabyte computers do not stand anywhere on the top of the list according to the judgement of either the computer professionals in the country, or these journals. Nor can Megabyte computers be regarded as having made any blitz in the home computer market.

I am sure you will agree that evaluations of market rankings presented by a journal should be based on verifiable information about the market and not on the subjective opinions of panel members, especially when they are not familiar with the specific market.

P. Jayant
Deputy director
(management services)
Air-India, Bombay

Hasty decision

SIR—Apropos the Airbus-Boeing controversy (*BW* cover story January 20-February 2; spotlight February 17-March 2). Once again the civil aviation ministry has made hasty decisions, going against the previous recommendations of the committee in favour of Boeing 757 and 767 aircraft.

Boeing would have proved much more profitable if we consider the following points. First of all, the 757 is already in the market, and is capable of satisfying Indian Airlines' (IA) immediate needs. If IA thought that the 757 was too big for its needs, it could have opted for the new 737-300, thus saving on direct operating costs, as it already has twenty-five 737-200s in its fleet. Taking into account the 12% projected increase in traffic, it should have kept its options open for the 757 and 767. Also, as both the 757 and 767 have essentially the same cockpits, and given IA's complex routes, the cockpit crews could be easily interchanged, as it is done in many airlines having both the 757 and 767—Delta being the forerunner. The next 757 could be a smaller aircraft, a 150-seater version, satisfying IA's need for smaller aircraft.

Airbus 320 may have futuristic designs (fly-by-wire controls, etc.), but the cockpit commonality program for the 767 and 757 has important ramifications for the industry both now and in the future.

Rahul P. Tunara
Bombay

Interesting reading

SIR—Darryl D'Monte's mediatrends column entitled 'The Sunday war' (*BW* February 3-16) made interesting reading. As rightly mentioned in your footnote, *Sunday Mid-day* subsequently bowed to popular sentiment and reverted to its original format, while the *Sunday Observer* also stuck to its old mast-head in deference to the wishes of its readers. Readers of the *Sunday Observer,* sometime ago wrote to the paper's editor complaining about the high ratio of advertising to editorial space in it and the editor wrote in reply that due to pressure from advertisers and prior commitments, the paper would publish the colour advertisements for some more time. Lately the paper, with its abundant reading material, is trying its best to strike a balance between the space devoted to advertisements and that to editorial matter and has been successful to a great extent.

As far as the tabloids are concerned, it should be mentioned that Bangalore's *The City Tab,* with its expansion programme (it now publishes a Bombay and Madras edition), is trying its best, with its dedicated editorial staff (mostly female) to expand and establish itself in the mediaworld. It is interesting to mention here that this tabloid, started some nine-and-a-half years ago in a small way, by a couple of enthusiastic men in a shed, has been growing from strength to strength, slowly and steadily.

As D'Monte says, *The Hindu* and *The Telegraph,* known for their quality printing, should make their Sunday issues available easily at important centres. He is also right about Bangalore's *Deccan Herald,* which issues an impressive Sunday edition which is comparable with that of *The Hindu* after its recent introduction of photo offset printing.

T.S. Shankaran
Bangalore

In defence of Kirloskar

SIR—This refers to the views expressed by R.K. Hirlekar in his letter to the editor: 'KCL's bitter harvest' (*BW* February 3-16, p.6).

Hirlekar seems to be suffering acutely from Kirloskar phobia and wants to settle some old score with Arun Kirloskar. He seems to be highly frustrated and disgruntled for unknown reasons and is looking for opportunities to vent his animus on Arun Kirloskar.

Suffice it to say that Arun Kirloskar's dynamism, pragmatism and leadership in the Kirloskar group of companies is an acknowledged fact and cannot be tarnished by outbursts from persons such as Hirlekar.

S.T.V. Raghavan
New Delhi

Breaking the smoking habit

SIR—Cigarette smoking is a disease and an extremely difficult habit to break. It is not easy to convince a smoker that he must quit smoking, and even for the person who is convinced that he must quit smoking, it is not easy.

Ours is a group of five ex-smokers who have just started a non-profit organisation on the lines of Alcoholics Anonymous. We already have over 50 members and with our own funds we help and support smokers in their efforts to quit smoking. We have enough cyclostyled literature on the subject and would be posting it to members every month. There is no entrance or membership fee, and those who would like to pay for the actual postage of the material, may send a 50 paise stamp on a self-addressed large envelope.

Only those readers who genuinely want to quit smoking may write to us, stating their names, age, occupation, experience with cigarettes and its effects on them, etc.

Write to Post Bag 5679, Bombay 400 014.

Veeru Kothare
Bombay

MARCH 8

The chairman of the Association of Indian Engineering Industry, R.C. Maheshwari, said in New Delhi that the tax raids have created a cash squeeze for industry and trade. According to him, the continuing tax raids have scared everyone and driven much of the black money out of circulation (*BS*).

The International Coffee Organisation has suspended the system of quotas imposed on coffee exports of producer countries.

MARCH 9

Civil aviation secretary S.S. Sidhu inaugurated the second module of the new international airport terminal building at Sahar in Bombay (*FE*).

MARCH 10

According to a report from New Delhi, public sector companies such as BHEL, Maruti and HMT will enter the capital markets with equity issues to raise finance for their modernisation plans (*ET*).

MARCH 11

The Union government has decided to export wheat at international prices (*FE*).

The National Thermal Power Corporation has successfully negotiated a Rs. 480 crore World Bank loan for setting up three gas-based power projects at Kawas (Gujarat), Auriya (Uttar Pradesh) and Anta (Rajasthan). All these three projects are located on the nodal points of the Hazira-Bijaipur-Jagdishpur gas pipeline (*FE*).

MARCH 12

Prime Minister Rajiv Gandhi announced that the government would hereafter stipulate a minimum capacity for certain industries in lieu of the maximum capacity limit stipulation that is operative currently. The prime minister was addressing the All India Businessmen's Association at New Delhi (*ET*).

MARCH 13

Indian Airlines has proposed a hike in passenger fares by 6.33% from 18th March 1986 (*FE*).

MARCH 14

S.B. Chavan, former union home minister, was sworn in as chief minister of Maharashtra.

The Life Insurance Corporation of India has decided to announce a special bonus to all of its policyholders as on 1st September 1986 to mark the 30th anniversary of its operations.

MARCH 15

India signed an agreement with Britain for the purchase of 21 Westland WG-30 helicopters (*FE*).

The Planning Commission has approved an outlay of Rs. 512 crores for the development of the handloom sector during the Seventh Plan (*ET*).

MARCH 16

The industry ministry has formulated a comprehensive plan for the modernisation and expansion of the machine tools industry.

The international criminal, Charles Gurmukh Sobhraj, escaped from Tihar jail.

MARCH 17

More than 60,000 small-scale units in Greater Bombay and Thane observed a bandh in protest against the lowering of excise exemption limits by the government. All small units with a turnover of up to Rs. 20 lakhs were hitherto exempt from payment of excise duty. Now, the limit has been reduced to Rs. 7.5 lakhs (*ET*).

MARCH 18

The National Bank for Agriculture and Rural Development has decided to promote eight pilot projects in selected areas of different states to give a fillip to the growth of cottage and village industries in the rural areas (*FE*).

MARCH 19

The State Bank of India has decided to make its entry into the leasing business by promoting a full-fledged subsidiary under the name and style of SBI Capital Markets Group (*FE*).

MARCH 20

India and the USSR signed a protocol adopting a working programme to jointly develop computers and other electronic products. Under the terms of this protocol, India will export computers and electronics goods valued at Rs. 167 crores to the USSR and import similar products valued at Rs. 62.3 crores from the latter, between 1986 and 1990 (*FE*).

The Gaullist leader Jacques Chirac was appointed prime minister of France. The centre-right party won a thin majority in the French parliament in the election held on 16th March 1986.

MARCH 21

The Union government has introduced a graded formula of levy obligation for the cement industry, which is linked to its capacity utilisation.

BS = Business Standard, FE = Financial Express, ET = The Economic Times

NEXT FORTNIGHT

April 4 & 5, 1986
Effective supervisor
Venue: Centaur Hotel, Bombay
Organisers: Bombay Management Association (Tel: 244036)

April 8 & 9, 1986
Import policy of India
Venue: Taj Mahal Hotel, Bombay
Organisers: Indian Institute of Foreign Trade, New Delhi (Tel: 655124)

April 9 & 10, 1986
Print production course for print buyers
Venue: Fariyas Hotel, Bombay
Organisers: Continuing Education & Training Centre, Bombay
(Tel: 2045333)

April 11 to 13, 1986
Value management
Venue: Hotel Taj Residency, Bangalore-1
Organisers: Institute of Public Relations and Management, Madras
(Tel: 450936)

April 12 & 13, 1986
Improving office administration
Venue: Hotel Taj Residency, Bangalore-1
Organisers: Institute of Public Relations and Management, Madras
(Tel: 450936)

April 14 to 16, 1986
Trainers training programme for enterprise launching and management
Venue: NIESBUD campus
Organisers: National Institute for Entrepreneurship & Small Business Development, Okhla, New Delhi
(Tel: 630199)

April 21 to 23, 1986
Industrial marketing
Venue: Taj Mahal Hotel, Bombay
Organisers: Consulting and Research Enterprise, Hyderabad (Tel: 233048)

Appointments

AN INVITATION TO LEAD THE HIGH TECHNOLOGY NEW COMPANY WITH A VISION OF THE FUTURE

IAL-INDIAN ACRYLICS LIMITED—is a new company formed to implement in joint sector a prestigious Rs. 80 crores Acrylic Fibre Project in technical collaboration with a leading foreign acrylic fibre company, in the state of Punjab—the state with vigour and drive—on the march in industrial horizons, jointly with PSIDC—THE PUNJAB STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED—A Punjab Govt. Corporation with successful track record of promoting an unlimited number of high technology ventures in Public/Joint/Assisted Sectors.
Steel Strips Group headed by Sh. R.K. Garg, Managing Director, Steel Strips Limited, a successful new breed techno-entrepreneur engaged in promotion of Industry in the State of Punjab with successful ventures of Steel Strips Limited, Steel Strips & Tubes Limited, Punjab Wheels Limited, S.A. Builders Pvt. Limited and Steel Strips Leasing Limited, etc.

We are looking for:-

1. GENERAL MANAGER—PROJECT

Who will assume complete responsibility of a progressing project through its various stages and take total charge of running the unit after the commercial production begins.
The tasks would include setting up the infrastructure at site, recruitment and training of technical personnel, overseeing the transfer of technology, methods and machines and setting up all systems at the plant. Heading the project team,the incumbent would be responsible for successful implementation and commissioning of the project.
This is a senior managment position reporting directly to the Managing Director with endless growth possibilities. The selected incumbent would be a chemical/petrochemical Engineer (preferably with MBA background) with 10 to 15 years experience, a majority of it in manufacturing of chemical/petro chemical projects of Acrylic Fibre/related field.

2. FINANCE MANAGER

The incumbent shall be an experienced professional to head its finance functions. The individual selected will report to the Managing Director and be overall incharge of the finance, management accounting, costing and EDP departments. He will, in addition, be responsible for financial planning, project financing, budgeting, taxation and legal matters. This is a key senior management position in the company and the incumbent will be expected to contribute to the formulation and implementation of corporate plans and strategies in implementing this project which involves Foreign Technical collaboration and long term Finance raising efforts of a very high level.
Applicants should be Chartered Accountants with a minimum of 10 years senior management experience in the finance functions of a similar manufacturing Company.
The remuneration package would be comparable with the best in the industry and will not be a limiting factor for the right candidate.
Please apply immediately in strict confidence with details of age, qualifications, experience, professional achievements, and present remuneration to:

Managing Director,
Indian Acrylics Limited
SCO No. 49-50, Sector 26, Chandigarh—160 026

Interads/ch

Appointments

Hoechst

HOECHST INDIA LIMITED

REQUIRE TOP FLIGHT ENGINEERING PROFESSIONALS

Our clients, Hoechst India Ltd., market leaders in the Indian pharmaceutical industry, are also engaged in a range of diversified activities including agrochemicals, animal health products and diagnostics in which they maintain a strong presence. The company currently has a turnover of over 145 crores and, consequent to the dilution of foreign equity holdings, is slated for rapid expansion in its entire range of activities. This has necessitated the recruitment of engineering professionals with proven track record in positions of responsibility.

Selection criteria lay stress on managerial skills, good communication skills and a strong technical foundation in the relevant field. Versatility and ability to work as a team member are other qualities that are sought. Selected candidates can expect a professionally rewarding work environment conducive to their personal and career growth.

MANAGER — PROJECT EXECUTION

The Manager—Project Execution will be responsible for planning,organising and controlling project construction work connected with the various expansion schemes of the company. The job will entail equipment inspection and installation, mechanical structures, piping, insulation and other allied work connected with the mechanical construction of chemical and pharmaceutical plants. It will necessitate working with a team of design, chemical, mechanical, civil, electrical and instrumentation engineers.

A graduate in mechanical engineering, around 35 years of age with at least 10 years experience in the chemical/pharmaceutical industry or consultancy organisations which cater to these industries would be likely to fit the bill. Familiarity with construction and contract management procedures and experience in independently handling project execution work is essential. The incumbent should be prepared to travel extensively to the various construction sites.

MANAGER — PLANT MAINTENANCE

Planning and execution of preventive and breakdown maintenance programmes for various types of plant and machinery will be the primary responsibility of the Manager — Plant Maintenance. As part of his duties, he will be required to exercise effective budgetary control and make optimal utilization of man and material resources and maintain close liaison with Production and Central Services units for optimizing plant availability. He will also plan and undertake various modifications/development work from the productivity and safety point of view.

A graduate in mechanical engineering around 35 years of age with at least 10 years related experience in a responsible position in a chemical/pharmaceutical company would fit in with the requirements for this position.

MANAGER — ENGINEERING (CENTRAL SERVICES)

The Manager—Engineering will be responsible for planning,execution and control activities of the Central Services Group, consisting of fabrication shop, machine shop, mechanical/civil, electrical and instrumentation maintenance shops which provide necessary backup services required for Plant maintenance.

Candidates for this position should be mechanical engineering graduates around 35 years of age from reputed universities with at least 10 years experience, part of it in a responsible position in the maintenance workshop, preferably in the chemical/pharmaceutical industry.

All positions are based in Bombay. Salaries for all positions are attractive and will not be a limiting factor for the right candidate. Perquisites include company accommodation/house rent allowance, leave travel assistance, car allowance, medical allowance, extensive insurance cover and generous retirement benefits.

Interested persons are invited to apply in confidence with a detailed copy of their resume and a photograph to:

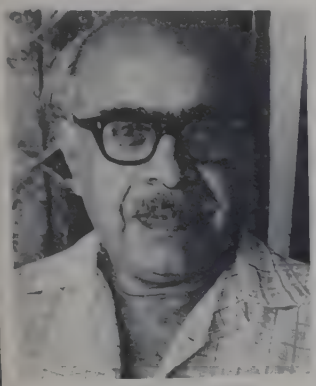
PERSONNEL SEARCH SERVICES

45, BAJAJ BHAVAN, 4TH FLOOR, NARIMAN POINT, BOMBAY 400 021.
TEL: 202 2885, 202 7207, 257087

BusinessWorld
March 31—April 13, 1986

The perils of retreat

J.D. SETHI



By now, Rajiv Gandhi must have realised that running a programme on a computer is quite different from running a political machine which is creaky, full of sawdust and has too many cogs. If the machine has not broken down it is because in recent years it has been over-greased. Rajiv Gandhi had promised to change the machine altogether but so far, he has found it rather difficult to do so. He and his finance minister are busy doing the next best thing, *viz.* removing the unnecessary grease which is mixed with the sawdust. No wonder they are being attacked by greasy editors of the jute press.

Unlike the Janata government, no Congress government has ever faced the threat of an internal revolt against its leadership. But Rajiv has antagonised the rank and file of his party and consequently he may be the first Congress president to face a revolt from the ranks. The anti-defection bill may have helped to curb any incipient revolt but stories of dissatisfaction among Congressmen are multiplying.

The second best option is clearly inadequate. The promise of a refashioned party with young, dynamic elements taking control of strategic posts must be fulfilled without any loss of time. Any delay will look like a retreat and encourage the latent revolt. It may be necessary to enhance the authority of party vice-president Arjun Singh or form a collective to expedite this.

ILLEGITIMATE POWERS

Rajiv Gandhi enjoys enormous legitimacy and his mother also left him the legacy of great authority, but he has not yet learnt the art of the effective use of both. It is strange that even minor episodes such as the cancellation of the broadcast of a scheduled film on the national television programme should be blown out of proportion and made to look like a big retreat. Such episodes should remind Rajiv Gandhi that he must shed the illegitimate political powers that were usurped by Mrs. Gandhi if he wants responsibility and authority to go together. Otherwise, he will be held responsible whenever an authority fails.

Most significantly, if he wants to make the system function efficiently, then the political and bureaucratic elements must be balanced. At present all of Rajiv Gandhi's aides are bureaucrats from the private or public domain, who cannot boast of very distinguished track records.

No wonder that even when the government is doing its best, as for instance in respect to fiscal policies, it is depicted as weak, confused and even unfair. V.P. Singh has shown remarkable courage and understanding in changing the course of policies by removing unnecessary controls and regulations and by lowering direct tax rates to more reasonable levels. No finance minister before him has ever shown such courage. Yet he is subjected to attacks from many vested interests, and every reasonable fiscal concession or correction he makes is made to look like a retreat.

Rajiv Gandhi should have been provoked to do some rethinking when he realised that the Congress party in Parliament was not rising to Singh's defence. He must understand that the erosion of his finance minister's authority as a result of sabotage from within the party will ultimately weaken his own authority. The power brokers are anxious to get Singh out. If they succeed in this game it will not be a simple retreat. It will generate an economic and political crisis which Rajiv may not be able to handle. The result could be a threat to his survival.

The business community is particularly angry about the continuation of tax raids. Surely it cannot have it both ways: it cannot have a more rational tax system and the right to keep its ill-gotten money. The finance minister has given it sufficient time and opportunity to come forward and pay evaded taxes. The business community must realise that the finance minister cannot retreat on this score, and that if he does so the whole new fiscal system will collapse.

Probably the most difficult decisions to be made are regarding the host of unresolved social conflicts which have piled up over the years and now threaten to explode. Communal, caste, regional and linguistic tensions are mounting, and some states in India, particularly those ruled by the Congress are in an advanced state of social disintegration. There are others such as Punjab and Jammu and Kashmir where separatism and terrorism are overtaking politics.

The days of consensus are over. The Shah Bano case is just one example of this new trend. Public opinion including Muslim opinion on the proposed bill pertaining to the rights of Muslim women is so divided that it will hurt the prime minister no matter what option he finally adopts. This problem should have been dealt with firmly and on the basis of secular democratic principles, from the very beginning. Instead, electoral considerations were weighed when the national interest should have taken precedence. However, now that a decision has been taken there should be no retreat.

HARD DECISIONS

A political retreat at the Centre leads to two very contradictory results. It leads to the defiance of the Centre's directives by chief ministers who, having lost control, prefer to retreat before mass fury. Rajiv Gandhi should have an open dialogue with all the chief ministers on political and social issues which can become explosive. Since consensus is unlikely, hard decisions must be taken after such consultations.

The situation in Punjab is becoming serious, with mounting extremist and communal violence. The Barnala government is unable to cope with the threat so long as the Punjab accord is not implemented. The only choice that Rajiv Gandhi is left with now is to impose a solution on Punjab and Haryana which may be unacceptable to both but will not be manifestly unjust to either. It is dangerous to let the Punjab situation drift into a new crisis. The impression that Rajiv is unable either to implement the accord or impose an alternative is hurting his image.

The Rajiv Gandhi government is also on the retreat on the foreign policy front. The entire external environment has become hostile to India. It is ironic that the retreat occurred just when Rajiv was pushed into the centre stage of the global theatre after his visits to the UN, the US and CHOGM. Rajiv's image was at its highest point during this period but it was an artificially boosted position from which a fall was inevitable.

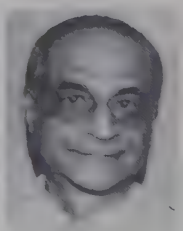
Indira Gandhi had the ability to give the impression of not retreating even when she was. Rajiv Gandhi gives exactly the opposite impression. It is ironic that a prime minister who is doing his best to put principles back into politics and uplift the moral tone of the government should appear weak.

Something is wrong somewhere.

BANKING AND FINANCE

M. D. MUKHI

The private placement debate



Only a year and a half ago, one topic which frequently recurred during discussions between merchant bankers and the Controller of Capital Issues was the 'revival of the equity cult.' The discussions did veer around to considerations of the policies that needed to be enacted in order to boost the new boom in equities further, but there was nevertheless an underlying confidence that the government was keen on doing its bit to promote the mobilisation of resources for the private sector through a revival of the capital market in the country.

With the liberal policy pronouncements made by the new government headed by the youthful Rajiv Gandhi one and a half years ago, the investment climate in the country changed overnight. The share markets boomed as never before. Everyone started making a quick buck through investment in shares. The public issues of companies, even with unknown managements, were oversubscribed many times over and there was a rapidly escalating number of applicants who were getting restive because of the inevitably repeated refund orders that they received. This gave rise to the concept of acquiring shares through the mechanism of 'private placement.'

Similar device. Private placement can be broadly defined as "the allocation of corporate securities that are not offered through a public issue." The concept is not totally new, since several companies have used the device of making rights issues of equity shares and debentures for years now.

What is new today is that the concept is no longer restricted to the rights issues but has been extended to offering a part of the equity shares out of the promoters' quota to a select group of investors before the company makes a public issue.

All this, naturally, has raised many questions and has generated considerable opposition from some sections of investors who view private placement as being a case of stretching the law to its limit.

There is no denying the fact that private placement offers investors a less chancy way of building a portfolio than by applying for equity in response to public share issues. The only weakness of the concept is that as in every other area of consumerism, some unscrupulous operators take gullible investors for a ride by making false claims about the future prospects of the company.

The private placement of shares and debentures is much cheaper than a public issue. As a matter of fact, it is the government itself which has sanctified and encouraged the concept of private placement in recent years by allowing companies to make public offers of the rights issues of non-convertible debentures at a low cost, with a view to developing the debenture market in the country. While the total cost of a public issue aggregates to about 12%-15% of the amount being raised, the private placement of shares and debentures does not cost the company more than 3%-4% of the amount raised.

While the private placement of the unsubscribed portion of a rights issue of shares or debentures is considered absolutely regular, questions have been raised about the legality or ethical soundness of the private placement of shares out of the promoters' quota. The rationale behind this questioning is to make sure that the promoters have a sizeable stake in a project in which the financial institutions and the investing public have sunk a good amount of money. While this is a highly desirable norm, the institutions themselves have relaxed this condition in the past.

An insistence on promoters purchasing the entire quota allocated to them may have the effect of discouraging potentially qualified promoters of capital intensive projects from promoting new ventures because of a lack of investible resources. This in turn will retard the industrial growth of the country.

Sobering effect. The government has done well to impose restrictions on the resale of shares which are allocated out of the promoters' quota for a period of three years from the date of allotment. This has already had a sobering effect on the offers of private placement out of the directors' quota or the promoters' contribution. The investors have now become more choosy and cautious.

And the fact that the government is satisfied merely with the imposition of a three-year transfer restriction and does not see the need for a total ban on private placement shows that it does not perceive this practice to be illegal.

ECONOMY

The MODVAT mess

It has been ticking away inexorably like a time bomb since mid-November 1985. Ever since crusading Union finance minister V.P. Singh had committed himself in the supposedly path-breaking long-term fiscal policy (LTFP) to reform the cascading structure of indirect taxation, marked by a multitude of rates, exemptions, notifications and contradictions, industry had been waiting with bated breath for the touted panacea to all these problems: MODVAT, or the modified value added taxation system on manufactures.

True to his word, while presenting the Union budget for 1986-87 on 28th February, Singh announced the introduction of MODVAT for a specified number of industrial products. The products listed in 37 specified chapters of the Central Excise Tariff Act, 1985 relate in the main to the output of chemical and allied industries; paints and packaging; plastics; metals; machinery and mechanical appliances including electrical equipment, and the automobile industry. Quite innocuously, it was also mentioned, as with most budgetary proposals, that the MODVAT proposals would become operational right away, i.e. from 1st March 1986.

The consequences were predictable. Indian industry was suddenly confronted with a radically different Central excise system, the principles of which had not been explained either to industry or to the over-zealous excise authorities. As a result, hardly any manufactured goods left the gates of manufacturing units all over the country for at least a week after the Union budget was presented to Parliament. Even when they did, it was only on the basis of the old excise rules without deriving the so-called benefits of MODVAT, as managers grappled to come to terms with the new system.

Utter Chaos. In the case of the 1.1 million small-scale industrial units in the country, which have been the hardest hit by the budget, according to a spokesman of the FASSI, not a single one has opened for business since 28th February. At the other end of the scale, the flow of excise revenue into the coffers of the exchequer has dwindled to a mere trickle, signifying the utter chaos which is the consequence of the excise duty rationalisation effort of the Rajiv Gandhi government.

If corporate managers and monitors of

the economic scene had refrained from voicing their misgivings about the proposed introduction of MODVAT except in private, it was only because the details of the scheme had not been spelt out in the LTFP. However, as a senior executive of a Delhi-based company explains, "We were apprehensive about this whole business but we did not know whether our industry would be covered by MODVAT. Moreover, we thought the government would introduce the scheme at a future date rather than on 1st March." Indeed, it is strange that while the weeks preceding the budget witnessed the Union government take a number of extra-budgetary decisions, including the controversial hike in the administered prices of petroleum products, not a word was said about MODVAT. The only pointer of the things to come was the issue of as many as nine notifications, reorganising commodity groupings for purposes of levying excise duty.

Given the surfeit of hard data available which indicates the unmitigated chaos that prevailed even within such tightly organised mature economies such as those of the US and the UK when they switched over to the value added system of indirect taxation, the finance minister, whose principled position has been to demystify the budget, must stand doubly indicted. Comments A.N. Saxena (58), secretary general of ASSOCHAM, angrily: "What was the need for all this mystery? Everybody knew MODVAT was coming. Why didn't the government let us know earlier what exactly it had in mind or alternately, why didn't it choose fewer industries or postpone the introduction of MODVAT? The net result is that the eminently sensible idea of eliminating the impact of cascading excise duties which push up end product prices has been endangered."

Indeed, it is the ham-handed manner in which the MODVAT system has been introduced rather than MODVAT itself, that has attracted the ire of industry. The rationale of a value added tax (VAT) on manufacturing had been spelt out in great detail by the Economic Advisory Reforms Committee headed by L.K. Jha, who has himself in the aftermath of the budget expressed grave doubts about the MODVAT introduction scheme drawn up by the mandarins of North Block.

Curious feature. The spread of Central excise duty on virtually every manufactured commodity has been regarded as the price of development, with nearly 50% of the gross tax revenue of the Central government emanating from this one source. However, one curious feature of the indigenous system of excise taxation has been that duties were hitherto levied on an *ad valorem* basis on finished intermediates as well as the final end product.

The consequent cascading effect of taxes imposed at each stage of manufacture pushed end product prices up exponentially and contributed in no small measure to the inflation which has been a concomitant of the Indian economic development effort. It was to eliminate this system of taxing already taxed intermediates that the Jha Committee advocated the introduction of the system of value added taxation.

The inflationary impact of the entirely unsatisfactory system of cascading excise duties is graphically explained by Prem Shankar Jha, the knowledgeable Delhi-based deputy editor of *The Times of India*. "Indeed, this chain stretches a long way back because the plant and machinery required to produce the raw material, the component, and the final product has also been subjected to customs and excise duties," writes Jha.

Rather than go all the way back, all that MODVAT promises is to extend an existing scheme known as the *'pro forma'* scheme of credit, which gives relief on duty paid components or intermediates used in the manufacture of goods covered by the same tariff head of the Central Excise Tariff Act. As a spokesman of the AIEI puts it, "The scheme has now been extended to the entire range of products now notified under 37 tariff heads. Besides, it has been enlarged by providing for set-off duty on those materials which are essential parts of the product but are not really components, such as paints and packaging materials."

The logical conclusion of this trend of analysis as exemplified by the public claims of finance ministry officials, was that as the burden of paying duty on duty paid components would be reduced, end product prices of various products would fall. However, the rationale of MODVAT was that it would facilitate the reduction in end product prices, boost demand and thus remain at worst "revenue neutral" for the exchequer.

Incalculable damage. However, in his anxiety to protect the Union government's revenue, Singh was inclined to be too cautious and raised the excise duty on a number of end products. And this has proved to be the undoing of the cost benefits offered to purchasers at every stage of the production process. As Jha in a brilliantly argued article in the *TOI* (8th March) succinctly argues, this decision of the finance ministry to safeguard its revenue per unit of output instead of looking at the big picture, will inflict "incalculable" damage to the economy. "If there is one single measure that Mr. Singh must rescind, it is the attempt to squeeze a few paltry crores of rupees out of the industries to be benefited by MODVAT. MODVAT is the beginning of a sweeping reform of indirect taxation which will hopefully culminate in the introduction of a system of value added taxation. If it now gets a bad name, VAT will become an unattainable dream," writes Jha.



Singh: pleasing none

Certainly the MODVAT introduction mess is fraught with peril for industry. The hike inexcise duties on so-called luxury items such as airconditioners, refrigerators, television sets and, of course, automobiles could not have come at a worse time as most of these industries were already feeling the pinch of a demand recession. Moreover, in the case of small units, the disadvantages of MODVAT seem to far outweigh the benefits. "In the first place, this scheme is applicable at every stage of the production process and so we will be paying more excise than before. Even if there is a set off, how can we afford the carrying cost of this duty? And just think of the paperwork involved. Do I produce and sell or keep excise records and stores?" asked an agitated member of the FASSI Action Committee when this correspondent met him.

Awesome nightmare. Thus, the so-called rationalisation of the excise duty structure which promised so much suddenly looms like an awesome nightmare for much of industry. Although now

somewhat belatedly, a series of workshops are being organised by the excise department, there is nothing to signal that the government is taking stock of the situation. Despite the announcement of the first series of post-budgetary consultations by Singh, his first priority has been to meet porters and other self-employed urban poor. The last of the meetings will see him meet with members from the small-scale sector. And with representatives of the organised sector industry, no meeting at all has been scheduled.

Introducing the scheme in Parliament in the course of his budgetary speech, V.P. Singh said, "I shall stress MODVAT, not MADVAT." The joke is obviously on him. But industry can hardly afford such an expensive joke.

Anand P. Raman in New Delhi

HOUSING

Snowballing nightmare

Three-and-a-half decades of so called socialist planning and development in India has produced impressive results on the economic front, even as equity and welfare of the populace have fallen by the wayside. And nowhere is this more painfully manifest than in the housing sector, in respect to which the statistics are truly horrifying. The estimated shortfall of housing in a nation in which over half the population lives in thatch and mud huts, is a staggering 25 million units. This means than an estimated 125 million citizens do not have a roof over their heads, even of the thatch and mud kind. The fact that this profoundly disturbing statistic has not as yet resulted in violent revolution has been variously explained in terms of the fundamental passivity of the Indian populace, or the fact that most Indians are too hungry to launch a revolution.

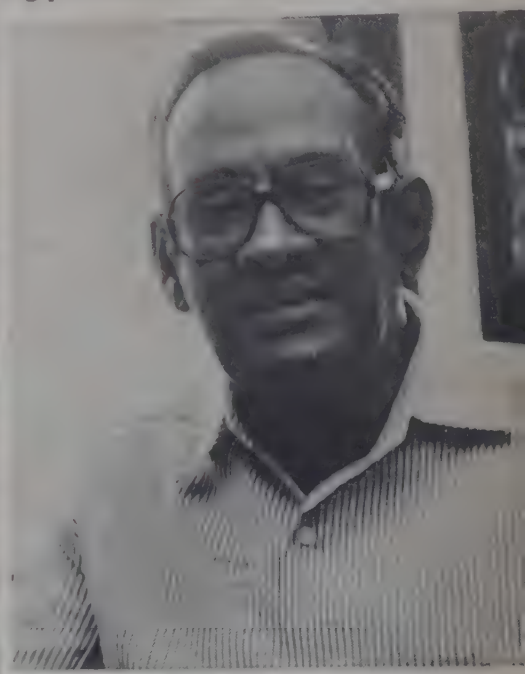
Yet, the unhoused and underhoused constitute a smouldering powder keg of anger and frustration which has been perilously ignored for too long. And the recent announcement of the Union minister for urban development Abdul Ghafoor on 22nd February that a new organisation — the National Housing Bank (NHB) would be constituted shortly, to facilitate the attainment of the goal of a house for every family by 2000 AD, has done little to reassure the citizenry that the powers that be are seriously concerned about the problem.

The NHB, which is slated to become functional within three months, will undoubtedly help to mitigate — to however small a degree — the staggering housing shortage. The bank is scheduled to be promoted within a paid-up capital of Rs. 50 crores,to be contributed by the Reserve Bank of India and other financial institutions. Yet, the manner in which the bank has been constituted and the somewhat vague and rhetorical statements made by Ghafoor in this connection do not serve to inspire confidence that the bank will make a significant dent on the housing problem.

Gigantic investments. This conclusion follows in part from the gigantic size of the investment that is required to wipe out the prevailing housing shortage of 18.8 million units in rural areas and 5.9 million units in urban areas, which is conservatively estimated to be about Rs. 32,470 crores. The Seventh Plan outlay on housing, however, is only Rs. 2,458 crores in the public sector. The private sector is expected to marshall around Rs. 29,000 crores. How the proposed bank can mobilise this magnitude of investible resources is unclear. But it is evident that if the financing of rural and urban housing is not stepped up beyond the currently prevailing levels, the housing shortage will escalate to a mind-boggling 39 million units by 2000 AD, which, translated into a somewhat less impersonal statistic, means that almost 200 million people will be without shelter by that year.

Says Professor S.D. Raj (54) — director, School of Architecture and Planning, Anna University, Madras, a graduate in civil engineering of the Delhi School of Planning and Architecture and a postgraduate in urban systems studies of the North Western University, Illinois, USA — "In spite of being a major sector of public and private investment and a large scale provider of employment, housing is not yet recognised as an industry. It is therefore not eligible for the various types of assistance, subsidies and incentives available to the industrial sector. If the government seriously intends to tackle the housing problem, it must put the housing sector on a par with industry in terms of access to funds and other financial benefits." Paradoxically, the Union ministry of urban development has made precisely such a suggestion, but true to the present govenment's style of operation in which one hand does not know what the other is doing or saying, the suggestion has been dutifully filed "for consideration" — an euphemism for callous inaction.

Inadequate system. Not,of course, that the mere provision of fiscal incentives will provide the necessary ballast to the housing sector. It is a necessary but not a sufficient condition. As A.N. Sengupta (52), director, Centre for Human Settlements, Madras, a postgraduate in urban design from Harvard University, and in architecture from MIT, USA, argues, much else needs to be done as well. "At present, the financing system for housing is wholly inadequate. There are many different systems in use all over the world such as tax exemptions, mortgages, hire-purchase schemes, etc. All these mechanics and schemes will have to be explored more fully if India's housing problem is to be tackled effectively.



Raj: financial incentives for housing needed

It is also necessary to remove various irritants in the existing legislation pertaining to the transfer of property, rent control, urban land ceiling, etc., through suitable changes," says Sengupta.

But even as the Union government gives voice to similar sentiments, actual policy has moved to and fro, with every new incentive to stimulate housing construction being negated by other policy changes which work in the opposite direction.

A recent example helps to illustrate this ham-handed and obtuse behaviour clearly. As part of the finance bill for 1986, Union finance minister V.P. Singh announced higher levels of depreciation on houses built by employers for their employees and also abolished the tax on the notional rent of a house owned and occupied by an individual. Both measures will serve to boost the pace of construction of houses, particularly for urban middle class housing. Yet, as part of

the same bill, the finance minister also abolished the tax deductions on interest payments and repair and maintenance costs of self-occupied houses. This latter change will seriously affect the rate of urban house construction, because hitherto in a typical case, over 40% of the total cost of buying a home was offset against tax deductions. Though exact estimates of the number of people who will be affected by this modification are not available, informed opinion pegs the number as high as 10 million people.

Dismal scenario. Indeed, urban India presents a dismal scenario today. And according to Sengupta, the situation is not likely to improve either. "At the beginning of this century, out of a population of about 240 million, only 30 million or one-eighth constituted India's urban population. By 1980, while the total population nearly trebled to about 680 million, the urban population multiplied by over five times to 160 million, or one-fourth the total. By 2000 AD, while the total population is projected to rise to more than 900 million, the urban population at around 300 million would be one-third the total population."

The massive increase in the urban population is however only one aspect of this frightening scenario. What is more disturbing is the rapidly changing composition of the urban population as is reflected in the mushrooming of slums and the decaying urban infrastructure. While in 1980, the slum population at 25 million constituted around one-seventh the urban population of 160 million, in 2000 AD it is projected to aggregate to 75 million or one-fourth the urban population of 300 million.

It is no surprise then that slums today constitute a major area of focus for most political parties, which are inclined to see potential vote banks in proliferating slums. Says Raj (quoted earlier), "Political parties tend to have a vested interest in the propagation of slums in the cities, since these slums provide easily manipulable vote banks. The consequence of this disastrous tendency is that urban planning is rendered meaningless, and all attempts to improve the living conditions of the existing mass of slum dwellers are quickly obliterated by fresh immigration."

Little impact. Politicians tend to derive not a little consolation from the fact that seemingly more effective housing programmes for the urban poor in the developed nations have in actual practice had little lasting impact. Arthur P. Solomon puts forward this view in his highly rated treatise, *Housing the Urban Poor* (1974). Summing up US programmes for housing the urban poor spanning three decades, Solomon comments: "A history of federal policies for housing the urban poor would chronicle a succession of policies, each in its turn, oversold to the public only to become sadly mired down in its operations, leaving the central dilemma — millions of poor trapped in pathetic living conditions — as unresolved as ever. The causes of disappointment have varied with circumstances... It is symptomatic of our political systems' indulgence that these programmes have long outlived their fall from favour and have been quietly pursued on a token annual appropriation rather than administered a surgical and final *coup de grace.*"

According to Solomon, the abysmal failure of these programmes is traceable to the fact that they were poorly or inadequately integrated into other welfare programmes, which resulted in the growth of crime, unemployment, etc., leading to the final failure of urban reconstruction.

The situation in India has really not been very different. As Raj says, "A major weakness of the earlier programmes was that they were all done in isolation without really caring as to what was happening in terms of the impact on other related areas such as transportation, employment, health facilities, sanitation, etc. Hence there was almost always a mismatch. It is only recently that the perspective has shifted in favour of a holistic approach in which the community is the focal point. Unfortunately, so far ours has been a fire fighting approach; action has normally been taken after the occurrence of a crisis rather than pro-actively."

Thus, a factor which is continually being stressed by most housing experts is the need for a total system and holistic approach to the present problems in housing, which essentially boil down to two distinct problems — the 'too little housing' problem and the 'bad housing' problem. The first of these calls for the maintenance of an equilibrium between demand and supply as well as a quantum leap in the growth of the housing construction sector of the economy. With reference to the second — the 'bad housing' problem — the emphasis needs to be on improving the living environment of persons unable to obtain a decent home under existing conditions. Here, the objective is basically one of social welfare.

Thus far, most housing sector programmes have been executed in isolation, leading to a sub-optimal and ineffective utilisation of resources. It is evident that a vital input in solving the vexatious problems of housing is a coherent national housing policy, backed by the necessary political will and the creation of a climate which is favourable to investment in housing. Unless difficult, non-populist policies are enacted right now, shelter for all by 2000 AD will remain just a distant dream.

Chandu Nair in Madras

AGRO-INDUSTRY

The soya scramble

Within the short span of two months beginning February, over half a dozen soya bean oil extracting companies have made formal announcements of their plans to process the versatile soya bean, and most of them have also entered the capital markets in recent weeks to finance their capital expenditures. And if these new entrants into the soya oil extracting industry — which in 1985-86 produced 2,00,000 tonnes of refined soya bean oil — are not exactly indicative of the beginnings of a soya revolution in India, the announcement in early February of the promotion of Noble Soya Products Ltd. which will *inter alia* manufacture for the first time in India, soya milk and soya milk-based beverages as also extruded soya solid foods, must signal the beginnings of a new era in the processed foods industry in India. Not surprisingly, not a few monitors of the economic scene are inclined to believe that it will also mark the beginning of a soya bean revolution in India.

India currently produces a mere 1.2 million tonnes of soya bean per annum *cf.* over 45 million tonnes being produced in the US and 10 million tonnes in China. The cultivation of the soya bean crop is also confined to the three states of Madhya Pradesh — which accounts for over 95% of current production — Uttar Pradesh (30,000 tonnes) and Maharashtra (70,000 tonnes). Yet, the lowly soya bean is not only an excellent and inexpensive source of protein and edible oil but is easily grown even on relatively barren lands with the minimum of husbanding.

Highly nutritive. This apart, the solids that are produced as a by-product of the process of extracting soya oil from the bean are not only highly nutritive (protein content of over 30% *cf.* 25% in chicken), but easily lend themselves to the manufacture of a wide range of solid foods such as *tofu* — a cheese-like product which is a popular snack in Japan — extruded proteins which can be texturized to resemble meat, snack foods

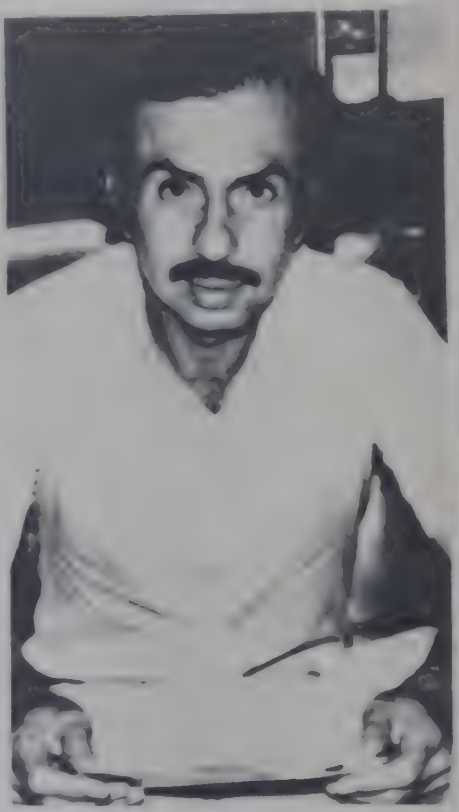
such as protein nuggets and soya flour-based wafers and chips, etc. Soya flour — manufactured from the solid residues of soya beans after the oil content of 20% has been extracted — can also be mixed with wheat flour to increase the protein content of breads, or reconstituted with water and some fat to produce soya milk, which not only has a higher protein content than cow's milk (3.6% *cf.* 3.2%) but is free of lactose, which many Asians cannot digest.

Thus, against the background of the massive imports of edible oils valued at over Rs. 1,000 crores per annum currently, and the widespread problem of protein-calorie malnutrition, the government should have taken steps to increase the production of soya beans much earlier. That little has been done during the last 10 years to promote soya cultivation and processing is in part a consequence of certain techno-economic considerations pertaining to soya products.

"Soya oil is not as stable as other edible oils and therefore has a much shorter shelf life. In addition, the oil emits a characteristic fishy odour when it is heated to frying temperatures and experience has demonstrated that the Indian consumer is unwilling to accept such a smell. A refined soya oil can of course be 'winterized' or partially hydrogenated in order to eliminate this problem, but this will make refined soya oil as expensive as refined groundnut oil. And without a significant price advantage over groundnut oils, soya bean oil will not have a direct consumer market," says Mahendra Mansingka (37), a graduate of Bombay university and managing director of Tristar Soya Products Ltd. (projected sales: Rs. 18 crores in the year ended 31st July 1986).

Price disadvantage. As a consequence, soya oil is currently used largely in the manufacture of vanaspati, but here again, it suffers a price disadvantage over other oils such as mustard and rapeseed. In a market situation in which the aggregate production of edible oils falls far short of demand, this is not a particularly worrisome problem. "But the returns on soya cultivation are not as high as they are for other oilseed crops, and farmers do not have an adequate incentive to switch from the cultivation of other crops to soya," says one industry observer who wishes to remain anonymous. "Thus our big problem at the moment is a shortage of soya beans supply and not of demand," adds Mansingka, quoted earlier.

There are approximately 38 soya oil extracting plants in the country currently, which together account for an installed processing capacity of about 4,000 tonnes of oil per day. Even if these plants work for only 300 days in a year, they have enough capacity to produce over 1.2 million tonnes of soya oil against the 2,00,000 tonnes produced in fiscal 1985-86. Thus there is already considerable excess capacity in the soya oil extracting industry, and this capacity is being rapidly augmented. "At least eight relatively large companies have been recently licensed to install an additional 800 tonnes per day of processing capacity, so unless steps are taken to rapidly boost the volume of soya bean production, the extent of underutilised capacity in the soya oil extracting industry will increase sharply," predicts Mansingka



Godrej: ready market

Yields of soya beans in India are low by world standards: 0.8 tonnes per hectare *cf.* 2 tonnes per hectare in the US. Thus, the boosting of growers' returns through the use of higher yielding strains of soya could ensure the rapid spread of soya cultivation.

"But another way of boosting growers' returns is by creating a market for soya foods in the country, which will have the effect of increasing the demand for soya beans and thus result in higher prices," says Adi Godrej (43), a postgraduate in industrial management and mechanical engineering of the Massachussets Institute of Technology, USA and chairman of Noble Soya Products Ltd. apart from other Godrej group companies.

And Godrej plans to do just that when Noble Soya Products Ltd. goes on stream in October this year to manufacture soya milk and an assortment of soya foods.

According to Godrej, the Noble Soya plant which is now being constructed at Mandideep near Bhopal at a capital cost of 11.5 crores, will not only be India's first soya milk plant but one of the largest food processing plants in the country. It will have a capacity to manufacture 20 million litres of milk and 2,000 tonnes of solid soya foods per annum. "When we attain full capacity by end 1988, we expect to generate a sales revenue of Rs. 30 crores," adds Godrej, who has just put the finishing touches on plans to pack soya milk in small (200 ml) cardboard cartons "which are automatically filled and sealed under sterile conditions on a Tetrapak machine."

Godrej's confidence is not unrelated to the fact that Noble Soya has acquired its processing technology from Kibuni Inc., Japan, the world's largest manufacturer of soya milk and other products. "Kibuni has developed a process which eliminates the beany flavour of soya milk, which had proved to be unacceptable to the Indian consumer. A Delhi-based manufacturer had attempted to put a soya milk product on the Indian market some years ago, but the product suffered from several defects. It had a low shelf life, a bitter beany aftertaste and it was not homogenous. The product failed. We have made sure that our product suffers from none of these defects," says Godrej.

With the entry of Noble Soya into the Indian market, several pharmaceutical companies, including Burroughs Welcome and Sandoz (India) have reportedly also drawn up plans to launch a range of soya-based milk and solid foods for specific therapeutic and non-therapeutic uses. "At least some of these companies may buy their requirements of texturised proteins and soya milk from Noble Soya and either treat it further for specific applications or merely market it under their own brand names," admits one industry source who is close to the company, but does not wish to be identified.

Increasing awareness. The entry of these companies into the hitherto stagnant soya foods industry will predictably have the effect of increasing the awareness and acceptability of soya foods. And the day is not far when the average middle class household uses soya foods as a regular part of its daily diet.

But now that private industry has taken the initiative to promote the soya

revolution in India, it is government's turn to enact policies which will promote the cultivation of the versatile soya bean. Should it do this, it will not only help to bring fallow and barren lands under cultivation, but will reduce the nation's massive import bill for edible oils and promote the nutrition of the populace as well. Several nations have statutorily ensured that bread products contain at least 15% soya flour in order to increase the protein content of this widely eaten food. The Indian government may well be advised to explore the possibility of doing likewise.

Michael Neri in Bombay

MANAGEMENT

CMA cerebration

The revolution of rising economic expectations witnessed in this country in 1985 — the first year of the Rajiv Gandhi government's five year term — has predictably and inevitably stimulated the cerebrations of the nation's managerial community. Which is not surprising — and certainly not unwelcome — given that the brunt of the responsibility of meeting the heightened expectations all around necessarily rests on the collective shoulders of the indigenous business community. Quite obviously, unless managers in the private and public sectors can utilise the resources of men, money and materials to add value productively and efficiently, the annual industrial growth rate figure of 8% which is being bandied about, will remain a mirage.

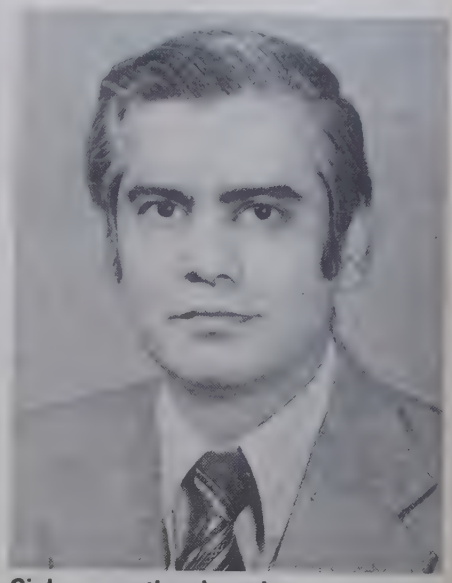
Accepting this responsibility and indeed taking its cue from such acceptance, the Calcutta Management Association (CMA) — one of the oldest bodies of its ilk in the country (established: 1958) — chose the topic of "management of growth" as the theme of its annual conference held in Calcutta on 14th and 15th March. As it turned out, this choice of theme proved to be popular because the turnout this time (162 listed delegates *cf.* 126 in 1985) was unusually heavy. Besides, the design of the conference, which incorporated three case study presentations followed by discussions, ensured the participation and involvement of the delegates. To top it all, corporate and academic bigwigs such as Dr. R.P. Aiyar (director, Indian Institute of Management, Calcutta), J.N. Sapru (chairman, ITC Ltd.), S.S. Kanoria (chairman, Kanoria Chemicals & Industries Ltd., and a former president of FICCI), C. Abraham Verghese (president, Rallis India Ltd.) and Dr. J.J. Irani (president, Tata Iron & Steel Co. Ltd.) took time off to take part in the deliberations.

Several alternatives. "The exercise of choosing a theme for the 1986 conference began a good eight months ago," recalls A.D. Sinha (47), a graduate of Patna university, who is vice president (personnel) of Dunlop India Ltd. and incumbent president of CMA. "Several alternatives were considered including energy management, industrial sickness, management for productivity, management of change and so on. However, when it came to making the final choice, our members near unanimously selected the theme as 'management of growth.' Perhaps this indicates a feeling amongst managers that in the contemporary environment, corporations must either grow or go under," quips Sinha.

Interestingly, delegates were quick to name names when it came to assessing growth and non-growth companies. Thus, while three companies belonging to the former category, *viz.* Andrew Yule, Bajaj Auto and the Oil & Natural Gas Commission, were put under the microscope with case studies being presented and discussed (the case study on Andrew Yule was written and presented by this correspondent), several instances of negative growth companies were cited in the course of discussions.

Paradoxically, some of the negative growth companies are doing badly although their competitors are expanding, e.g. the Cycle Corporation of India Ltd. (formerly Sen-Raleigh Ltd.) in cycles, or Vikrant Tyres and Falcon Tyres in the tyre manufacturing industry. A few have failed to grow owing to poor management (e.g. Kamani Engineering before the R.P. Goenka takeover) or poor strategy (e.g. Metal Box India's foray into bearings). The cutting edge could also be technology: in the storage batteries manufacturing industry, for instance, Chloride India has done consistently well, while Willard India has not.

Organisational health. "Dwelling on the aspect of growth reminds me of Kipling's 'six honest serving men' named What, Why, When, Where, Which and How," said Jagdish Sapru, chairman of ITC Ltd., while delivering the inaugural address at the conference. In Sapru's opinion, organisational growth is measured not only in terms of increased turnover and profit but also in terms of ensuring "robust organisational health" so that the company can "withstand adversity and meet socially purposeful obligations." He suggested that several growth-related questions ought to be asked by managers within each company: "Are we planning growth on the sure foundation of our existing strengths? Is it the right path of growth in scope, objectives and priority? Are the risks identified and minimised? Are the milestones clearly defined and realistic?"



Sinha: growth only option

Obviously having given the delegates a great deal to mull over, Sapru retired from the lectern and S.S. Kanoria, a former president of FICCI and a respected if somewhat low profile senior manager within Calcutta's business community, took the stand. Delivering the keynote address, Kanoria said that the biggest challenge before Indian industry is that of adapting to a new and entirely different work ethos. "To cope with the emerging situation, we will have to build internal flexibility in our organisations. It will be necessary to restructure and reorient managerial strategy. New ways of looking at things, innovations and situations will have to be developed. The Indian managerial community, which has become used to stability and certainty in the market environment, will now have to learn to take risks, look for innovations and practice an entrepreneurial approach," he said.

One of the points repeatedly made at the CMA conference was that "managers must be entrepreneurs rather than maintenance men" if Indian industry is to bridge the transition period. The consensus of opinion at the conference was that the country needs managers with better risk-taking abilities and simultaneously, entrepreneurs with a more professional management approach. "Only then can the business sector seize the opportunities existing in the environment," said Kanoria.

Complete integration. With the backing of its 955 individual and 153 corporate

members — who collectively constitute a not inconsiderable bank of managerial expertise — the CMA has already launched several new programmes aimed at encouraging the emergence of entrepreneur-managers. As Sinha (quoted earlier) explains, the association has promoted an Entrepreneurship Development Centre this year and has already embarked on an entrepreneurial development programme which has attracted 11 participants for the maiden six week course. The next course is booked for 22 participants, which indicates that CMA's new programme is being well received. "We visualise that in the future a complete integration of the entrepreneur and the business manager will emerge," ventures Sinha.

But in the ultimate analysis, perhaps, it is the fear of failure which clips a manager's wings and imagination and keeps him bound to the security of his all too familiar desk. If Indian industry is to break out of the shackles of the so-called Hindu rate of growth and record a quantum leap into the ranks of the newly industrialised countries, shedding for ever the ignominious label of less developed country, surely the high-IQ fraternity of managers must give the lead by generating the momentum for the long-delayed take-off of the economy.

Sujoy Gupta in Calcutta

MEDIA

A babel of noises

Amidst rather high expectations, the Union budget for 1986-87 presented to Parliament in New Delhi on 28th February proved to be quite a damper. While the stockmarket fraternity pronounced its verdict on the budget by pushing equity values across the board downwards, the complexity of the budget proposals was highlighted by the sharp differences of opinion in the print media on the shape and content of the budget.

Perhaps to everyone's surprise, the sharpest of attacks on this year's budget came from the country's premier mass circulated daily, *The Times of India (TOI)*, which in its lead editorial (1st March) lambasted Union finance minister V.P. Singh's second budget. "In the 39 years that this country has been independent, no government has used the budget to make so blatant a play for popularity as that of Mr. Rajiv Gandhi in its second year in office. The philosophy behind it may be summed up in one sentence: it has given tax reliefs to those who neither needed nor deserved reliefs."

In the editorial, the *TOI* — hitherto considered a daily which was sympathetic to the establishment — sharply condemned the government's populist schemes aimed at appeasing the urban middle class. "Where was the need to give additional direct tax reliefs to urban middle classes and urban rich," the paper asks, "when only last year it (the government) had brought down the incidence of direct taxes by 72%?"

Marginal reduction. While the daily doubts if tax revenues will continue to rise at the same rate as last year, consequent upon the tax reliefs announced in the latest budget, its opposition to the budget proposals mainly stems from the budget's neglect of industry. By imposing new indirect taxes — by way of customs duties on imports and excise on so-called luxuries — the government has pushed up costs of production and thus narrowed markets, says the *TOI* editorial. The marginal reduction of 5% customs duty on imported components is an "insult" to the capital goods industry, adds the editorial. In effect, the *TOI* concludes that the budget proposals are likely to accelerate the process of "deindustrialisation" particularly in the capital goods sector.

In sharp contrast, the reputedly anti-establishment *Indian Express* saw very little that was wrong with the budget. "Only the naive or prejudiced will grudge Mr. V.P. Singh the congratulations that he richly deserves. His stewardship of the economy has been such as to put at rest, for the moment at least, several of the misgivings about the consequences of the policies initiated by him over the last year," says the *Express* editorial.

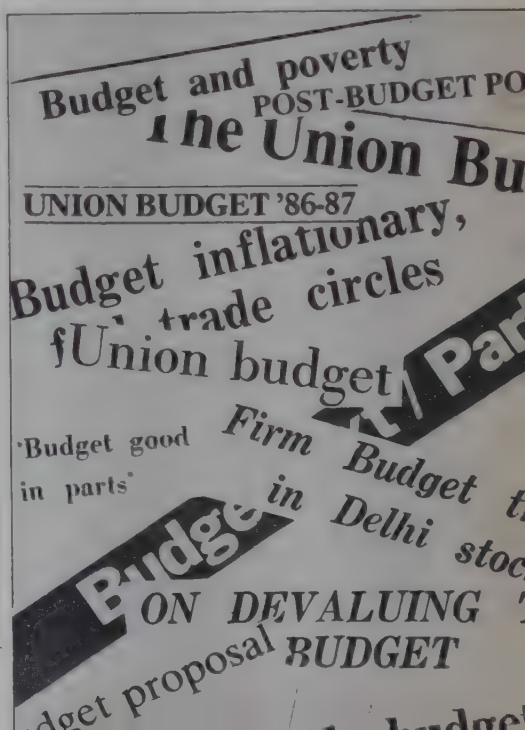
But so akin to the proverbial elephant discerned by the seven blind men of Hindustan is the budget, that the *Indian Express*' associate publication — the *Financial Express (FE)* — passed a diametrically opposite verdict on the finance minister's proposals. Under the caption "A budgetary maze," the budget editorial in the *FE* comments: "Mr. Vishwanath Pratap Singh's budget for 1986-87 is so dense with detail, particularly in respect of proposals in the field of indirect taxes, that the expectation has been belied that the long-term fiscal policy (LTFP) statement would make for a tidier budget. Picking one's way through the maze of increases and reductions is an enterprise beyond the powers of any but the technocrat who has dreamed them up."

Rampant misuse. Commenting on specific budget proposals, the *FE* saw some merit in the proposals designed to help raise production of edible oil, small scale industry, the capital goods industry and a variety of exports. But the top brass in the *FE* was unimpressed by the finance minister's much tom-tommed anti-poverty programmes. "Anti-poverty and unemployment programmes in the past have suffered not so much from want of financial support as poor management. There has been a rampant misuse of financial resources provided for IRDP with official and political intermediaries pocketing a part of the funds earmarked for the poor," it remarked trenchantly — a sentiment echoed in *BusinessWorld* (see *BW* editorial March 17-30).

If the budget rendered the Indian Express group a house divided with the flagship *Indian Express* and the *FE* differing in their assessment of its impact on the economy, the finance minister precipitated a cleavage of opinion within the Times group as well. In sharp contrast to the jaundiced view that the parent *TOI* took of the budget proposals, *The Economic Times (ET)* described it as a "wise man's budget."

In its post-budget editorial of 1st March, the *ET* conceded that though the budget did not "seek to reach new heights" it was "faithful to the new directions of policy initiated last year and gives effect to many of the proposals aired in the document on the long-term fiscal policy."

The Calcutta-based *Business Standard (BS)* was inclined to dismiss the budget as an illusory exercise, the primary purpose of which was to please all. "The great Indian rope trick is not perhaps a lost art, as it is commonly believed. Mr. Vishwanath Pratap Singh has seen to its



revival with the Central budget for 1986-87, his second one. The illusions he produces with his Rs. 3,650 crore deficit budget are many and varied, far surpassing the dazzle of so-called pragmatic and path-breaking one he cobbled up last year."

There is something in the budget for all shades of ideological opinion, says the *BS* editorial. For the "socialist lobby" there is the 65% increase in the anti-poverty programme and additional taxes on colour television sets, automobiles and air-conditioners. For the dangerous unionised salaried class, there is an increase in the standard deduction for income tax purposes. For industry there is additional protection from international competition.

Strange priorities. This scepticism provokes the leader writer of the daily to make its final pronouncement of the budget. "In a few fell strokes of this budget Mr. V.P. Singh appears to have changed the philosophy of development that he so carefully adumberated last year. Quality and international competitiveness in Indian industry, much prized in the last budget, bows to self-reliance and sheltering domestic capacities... Even the so-called larger plan devotes the bulk of the increased allocations to soft sectors like culture, sports, information and broadcasting! They are strange priorities when core sectors are left to fend for themselves with less budgetary support and fast drying foreign exchange reserves threaten to stoke the fires of inflation."

What is the average citizen then to make of a budget which invites so many contradictory assessments from knowledgeable commentators? Sure, he can derive some consolation from the realisation that the spirit of debate and discussion — the very stuff and essence of democracy — is abroad in the country. But there's little else he can derive from a trivia obsessed budget which lacks direction and clarity.

Indeed the very diversity of opinion that the Union budget for 1986-87 has provoked is an indictment of it. The primary objective of a budget presentation exercise ought to be to take the citizen into confidence and to provide him with a clear vision of what is in store for him and for his fellow citizens in the future. It should inspire him to save and spend prudently so that the underprivileged in this and succeeding generations may live a better life. The accountant's budget of 1986-87 lacks this basic merit. Hence the babel of confusion even in the ranks of media pundits.

V.A. Acharya in Bombay

ECONOMIC COMMENT — R. J. VENKATESWARAN

Missing managerial input



The Union finance minister V.P. Singh in his budget speech, expressed satisfaction at the better performance of the infrastructure sectors, especially those of power, coal and railways. According to him, in the first 10 months of fiscal 1985-86, thermal power generation recorded an increase of more than 15% over the corresponding period in 1984-85; railway freight recorded "a commendable increase" of 9% in the first eight months of 1985-86, and despatches of coal rose by 10% in the same months, over the comparable period of the preceding financial year.

These statistics are likely to create the impression that infrastructural inadequacies are no longer an impediment to the rapid growth of the economy. But the fact is that the three sectors of power, coal and railways continue to suffer from severe deficiencies which have not so far received adequate attention either from the Central government or state governments.

Low indices. For example, though the average plant load factor (PLF) of thermal power stations in the country increased from 44.3% in 1979-80 to 50.1% in 1984-85, it was much below the average of 55.4% achieved in 1976-77. The PLF indices attained by the electricity boards of several states were also absymally low in 1985-86 (April-December), being only 42.2% in West Bengal, 35.24% in Uttar Pradesh, 30.5% in Orissa, 29.8% in Haryana, 35.6% in Bihar and 26.4% in Assam.

The pre-budget economic survey for 1985-86 has said that further investment in the power infrastructure in these six states "is not (any longer) economical" at current levels of operational efficiency and that "a major effort" should be made to tone up the performance of these plants. But it is doubtful if there will be any substantial improvement in the operational efficiency of these plants during the Seventh Plan because of the persistence of equipment defects, poor maintenance, and other managerial lapses.

V.P. Singh said in his budget speech that coal continued to be "the most important primary source of energy." But what he didn't say was that the situation in this major industry is indeed a matter of serious concern. This is glaringly revealed by the energy minister Vasant Sathe's recent disclosure that Coal India Ltd. had actually incurred a loss of Rs. 90 crores in 1984-85 and not made a profit of Rs. 13 crores as he had earlier informed Parliament. He explained that the former chairman of Coal India had given him erroneous information which was later corrected by the comptroller and the auditor general.

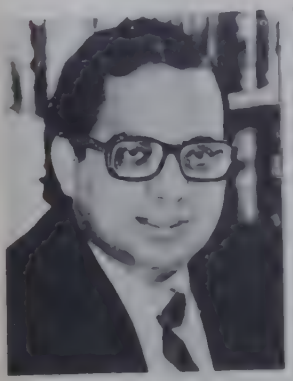
The railway system is also ill-equipped to meet the transport requirements of the economy. Chambers of commerce and industry and other business organisations have commended the transport minister Bansi Lal for not increasing the freight rates in the latest railway budget. This may create the impression that all is well with the country's largest single undertaking. But if the Planning Commission's comments in this context are any indication, the physical health and financial standing of the railway is cause for serious concern as well.

Out-moded design. The commission has revealed that the rolling stock designs of the railways are "out-moded and maintenance practices in several areas are based on obsolete technology." Besides, the system is "beset with excessive manpower" and the percentage of ineffective rolling stock "far exceeds prescribed levels." The commission has also observed that "above all, the maintenance infrastructure is inadequate in relation to the available rolling stock fleet."

In these circumstances, the mere allocation of more funds for the infrastructure sectors is not likely to help to overcome their deficiencies. The budget has provided Rs. 10,805 crores in 1986-87 — *cf.* Rs. 8,751 crores in 1985-86 — for the departments of coal, power, petroleum and natural gas, and railways and surface transport taken together. This represents a 23% increase over the provision made in 1985-86. But this higher outlay will have the desired impact only if there is far greater efficiency and better coordination among the different ministries at the Centre, and between the Centre and the states in the management of the infrastructure.

A lack-lustre budget

H.P. RANINA



The Seventh Plan projections are that the private sector will generate an investment of Rs. 1,68,000 crores during the five year period ending 31st March 1990. Such unrealistically high expectations are doomed to remain unfulfilled. But even if entrepreneurs are to make a bold attempt to achieve this formidable investment target, it is necessary for the government to create the right climate by providing adequate and meaningful incentives for industrial growth in the private sector.

Unfortunately, the Union budget for 1986-87 presented to Parliament on 28th February provides no indication of the finance minister's will to give industry the incentives which would enable it to generate this massive investment in the coming years.

In particular, the withdrawal of the hitherto available investment allowance in respect of plant and machinery installed after 31st March 1987, is likely to have a deleterious effect on capital intensive industries which need to be nurtured and sustained if the industrial production targets laid down in the Seventh Plan are to be attained. While the new investment deposit account scheme which will replace investment allowance will help existing companies which are highly profitable, the benefit of the new scheme will be negligible for new industrial undertakings. It would, therefore, make good sense if the finance minister retains the investment allowance scheme for new companies for the first 10 years after they commence commercial production. In the alternative, an option to claim either investment allowance or the benefits of the new investment deposit scheme should be given to such companies.

A new s.32-AB is to be introduced into the Income Tax Act, 1961, with effect from the assessment year 1987-88, to give effect to the investment deposit scheme. The provisions of this new section and the scheme thereunder will be applicable to all assessees to whom the existing provisions of s.32-A of the Income Tax Act apply and to certain other categories of assessees.

PERMITTED DEDUCTIONS

The new provisions permit the deduction of up to 20% of the pre-tax profit of an eligible company if this 20% is deposited in accordance with the scheme made under this provision or is utilised for the purchase of any ship, aircraft, machinery or plant. However, the benefit under the new provisions will not be available in a particular year to an assessee who has claimed investment allowance in that year.

Ss.(1) provides that subject to the other provisions of s.32-AB in cases where an assessee, whose total income includes income chargeable to tax under the head "profits and gains of business or profession," has out of such income and in accordance with the scheme framed by the Central government, deposited any amount in the deposit account maintained by him with the Industrial Development Bank of India (IDBI), his income tax liability will diminish.

Ss.(2) provides that "eligible business or profession" shall mean business and profession other than (a) the business of growing and manufacturing tea in India; (b) the business of construction, manufacture or production of any article or thing specified in the Eleventh Schedule carried on by an industrial undertaking which is not a small-scale industrial undertaking as defined in s. 80-HHA; and (c) the business of leasing or hiring of machinery or plant to an industrial undertaking (other than a small-scale industrial undertaking as defined in s.80-HHA) engaged in the business of construction, manufacture or production of any article or thing specified in the Eleventh Schedule.

As far as the corporate sector is concerned, the only other meaningful benefit granted in the budget is in the form of higher rates of depreciation, which have been more than doubled by increasing the basic rate on plant and machinery from 15% to 33.33%. However, under the budget proposals, this rate is to be calculated on the historical cost of an asset and wholly ignores the replacement value of an asset which keeps increasing drastically every year as a result of inflation and increases in import duties.

However, leasing companies will stand to gain substantially as a result of the higher rate of depreciation conceded in the first year, particularly in view of the fact that the special deposit scheme has been specifically extended to leasing companies which lease out plant and machinery to priority industries. The withdrawal of the investment allowance and its substitution by the new scheme will, therefore, boost the bottom line of leasing companies.

While the surcharge on income tax payable by companies has been abolished with effect from the assessment year 1986-87, the removal of surtax has been deferred by one more year and, to this extent, the government has not kept up to its earlier promise.

ADVERSE EFFECT

A more unfortunate proposal incorporated in the budget proposals is the increase in the rates of tax on foreign collaborations in respect of lumpsum royalty. This has been raised from 20% to 30% and will adversely affect collaboration agreements which have already been signed and sealed on the basis that a 20% tax would be payable thereon.

This proposal is certain to weaken the confidence of foreign businessmen seeking collaboration agreements in India and they will be more cautious in providing technology to Indian companies in future. However, in respect of recurring royalties, the foreign collaborator stands to gain as a result of the tax being reduced from 40% to 30%. This somewhat cushions the budgetary blow.

In conclusion, it must be emphasised that apart from increasing the rates of depreciation, which amount, in any case, cannot exceed the original cost of the asset, no incentive whatsoever has been given for the promotion of new industrial enterprises. On the contrary, the withdrawal of investment allowance will positively discourage the investment of fresh capital by new companies.

The new IDBI deposit scheme will merely assist existing companies which are already highly profitable. The government should, therefore, consider retaining the investment allowance and allowing new companies to claim it during the first 10 years from the year of commencement of commercial production, as suggested earlier.

Public sector surprise

It is the kind of news that is greeted with sheer incredulity. In stark contrast to the unmitigated chaos that generally characterises the obsolete and inefficient telecommunications sector in the country, the New Delhi-based public sector telecom company, Telecommunications Consultants India Ltd. (TCIL — sales: Rs. 17.84 crores in the year ended 31st March 1985), has been covering itself with glory, and that too in the competitive export market. And not a few people were pleasantly surprised when,



Shukla: defying logic

at a glittering function held in New Delhi on 8th January, TCIL was awarded the national award for excellence in exports (1981-82) by the then commerce minister Arjun Singh.

Defying conventional logic which dictated that the pathetic state of the domestic telephone network would effectively rule out any hopes of a breakthrough into the fiercely competitive international arena, TCIL's consultancy exports income shot up from Rs. 4.92 crores in 1980-81 to an impressive Rs. 12.24 crores the very next year — an increase of almost 250%.

Indeed, TCIL's track record has been impressive. Thus, even when judged by the conventional criterion of the rate of growth of net worth, TCIL topped the list of 183 public sector units — with a growth rate of 188.91% in net worth in the five year period ending 1983-84. This is according to a survey conducted by *The Economic Times* research bureau, the results of which were published on 4th September 1985.

But the origins of this unlikely success story were modest. Comments M.P. Shukla (54), chairman and managing director of TCIL and the architect behind its success: "When the P&T department began receiving a large number of requests from various developing countries — particularly from the oil-rich Gulf states — to help them establish telecom networks, the idea of a distinct telecom consultancy company was mooted. And thus TCIL came into being in 1978, bagging its first overseas telecom contract in Kuwait, valued at a mere Rs. 50 lakhs."

Huge network. At the time of its promotion, TCIL could not claim anything more than its wealth of technically proficient telecom engineers who were quick on the uptake. "Despite the poor reputation that the P&T department has, the fact remains that we have a huge communications network, the origins of which date back to 1851. TCIL could draw upon any of the 3,00,000 technical personnel on the rolls of the department, which gave us a tremendous operational strength," says Shukla, who refused to be baited about the weaknesses of the domestic telecom network.

TCIL currently operates in more than a dozen countries including Kuwait, the UAE, the Yemen Arab Republic, Jordan, Iraq and Nigeria. In the context of the state-of-the-art telecom equipment that most of these countries are opting for, this has naturally meant that TCIL's telecom virtuosos have had to keep abreast with the quick-fire growth of telecom technology. "In the beginning we stuck to such areas as external cable networks and the installation and maintenance of different types of electronic and electromechanical exchanges. But today, we are moving rapidly ahead providing consultancy services to a number of computer-based projects," says Shukla.

But perhaps the most redeeming feature of TCIL's expanding operations is that it is finally moving back home to cope with the new emphasis on improved telecom services placed by the Rajiv Gandhi government. "We have bagged a number of contracts for setting up technologically advanced communication networks for Oil India, Coal India, Indian Airlines and even for the proposed HBJ pipeline of the Gas Authority of India Ltd. We have also set up an experimental public data network for the first time in this country," says Shukla.

Indeed, TCIL has proved to be a model public sector enterprise. On the one hand, as Shukla points out, the company has paid out a 25% dividend to the Central exchequer every single year since its inception. On the other hand, the company's exposure to the latest telecom technology available abroad has placed it in a unique position to spearhead the modernisation of the indigenous telecom network. And if its past record is any indicator, TCIL will have many more laurels coming its way.

ANAND P. RAMAN IN NEW DELHI

Savings magnate

Over the last seven years since it was incorporated as the country's first organised sector housing finance company, the Housing Development Finance Corporation Ltd. (HDFC), which has sanctioned housing loans aggregating to Rs. 544.12 crores as on 20th February 1986, has acquired a sound reputation. Thus, it was only in the fitness of things that the Indian Merchant Chamber's 1984 award for encouraging savings was conferred on the corporation. On 25th February, HDFC's managing director Deepak Parekh (41), received the award in Bombay.

"I am satisfied with the performance record of HDFC in terms of mobilising resources and disbursing the same for the development of the housing sector. Over the last two years our sanctions have increased by 30%-40% per year and will aggregate to about Rs. 180 crores in the year ending 30th June 1986. This is a far cry from 1978-79, when our total sanc-

Parekh: fitting tribute



tions were Rs. 7.08 crores," says Parekh, a commerce graduate of Sydenham College, Bombay and a British trained chartered accountant, who put in stints with Grindlays Bank and the Chase Manhattan Bank before signing up with HDFC in 1978.

According to Parekh, who took over as managing director of the corporation last year, HDFC's resource mobilisation effort is particularly satisfying because the corporation has had to compete for funds against formidable institutions and securities such as the Unit Trust of India, National Saving Certificates and the tax incentive laden bond issues of public sector corporations.

Determined programme. Nevertheless, Parekh is convinced that such is the magnitude of India's housing problem, that HDFC is not in a position to solve it on its own. "A determined legislative and resource mobilisation programme will have to be undertaken at the governmental level to prevent the country's massive housing backlog of 25 million units — of which 18 million are in rural India — from snowballing. This will require a relaxation of the urban ceiling laws, rent laws and the provision of fiscal incentives to approved housing finance companies. And though HDFC's operational performance has been very good, at best it can only help to make a modest contribution to the country's massive housing problem," says Parekh.

"Essentially, HDFC's *raison d'être* is to help middle class citizens to top up their savings and purchase a modest house in urban India," says Parekh. Nevertheless, he believes that it is now time for the Union government to accord housing a higher priority in its five year plans than it has been accorded hitherto.

Unfortunately, the budget for 1986-87 recently presented to Parliament, does not offer much encouragement to the development of the housing sector, says Parekh. "Thus far, interest paid by an individual on a loan obtained to construct one dwelling unit was a deductible expense. Against the norm prevailing in all countries, this facility to the citizen has now been withdrawn. Secondly, though the budget gives a handsome incentive to corporate sector organisations to invest in constructing housing units for their workers, a great anomaly is that housing units can be built only for workers earning less than Rs. 10,000 per year. Unfortunately this limit is too low and most workers in the organised sector today earn more than the stipulated sum. There is a good case for at least doubling this figure of Rs. 10,000," says Parekh.

Expanded reach. Nevertheless, looking ahead, Parekh is confident about HDFC's future, even if the big picture is not very appealing. "Over the last seven years, HDFC has established its credibility. The corporation has overcome its teething problems and is now working smoothly. HDFC's reach has also expanded, now that we have 15 branches spread all over the country. All these factors will help us to mobilise savings and make housing finance available to an ever increasing number of citizens. I believe that the satisfying operational performance of the corporation in recent times is just the beginning. The best years of HDFC are still to come," says Parekh.

Given the rapid deterioration of the nation's already poor quality housing stock, one is unlikely to begrudge HDFC the luck that the corporation's managers need as they soldier on within an unsympathetic environment.

DILIP THAKORE IN BOMBAY

Omax goes public

With the 30-year-old indigenous two-wheeler industry poised to double its current annual production levels in a short span of five years, the rush is on among two-wheeler ancillary manufacturers to grab a piece of the action for themselves. And among the latest to enter this burgeoning field is the Ludhiana-based Omax Autos Ltd. (sales: Rs.64.68 lakhs in the eight months ended 31st December 1985). The company is entering the capital market on 7th April with a public issue of 5,90,000 equity shares of Rs. 10 each for cash at par

"The proceeds of the public issues will be used to finance the expansion of our plant which currently manufactures sprockets used in two-wheelers for the transmission of power from engine to the wheels, and tubular components such as brake pedals, handles, rear carriers, etc.," says Jatender Kumar Mehta (37), a graduate in production engineering from Punjab University and managing director of the company.

The unique selling proposition of Omax Auto is its close connection with the Ludhiana-based Hero group of companies which *inter alia* includes the well-known Hero-Honda Motors and Hero Cycles. In fact, it is an indication of this closeness of ties that Brij Mohan Lall Munjal who is the *paterfamilias* of the Hero group, is also the chairman of Omax Auto even though, according to Mehta, the Munjals have no equity stakes in the company.

"The Omax group of companies has had dealings with the Hero group since 1972, and these have been further strengthened now with the location of the new Omax Auto plant right next door to that of Hero-Honda. Hero-Honda will not only be providing the necessary technical assistance, but will also be lifting 100% of their requirements of tubular components and sprockets from us," says Mehta.

Negotiations initiated. But Hero-Honda has a licence to manufacture a maximum of only 1,00,000 motorcycles per annum and hence Mehta, who plans to raise his

Mehta: a unique selling proposition which is a close connection



production levels from the current 80,000 sets of sprockets and tubular products to 1,80,000 sets in three years time, has already initiated negotiations with other two-wheeler manufacturers. "We are already talking to Ind-Suzuki and TVS 50 manufacturers and will soon initiate negotiations with Rajdoot-Yamaha as well. I envisage no difficulty in marketing our products," says Mehta.

And much of Mehta's confidence stems from the fact that his plant is among the most modern of its type in the country. "Engineers from Honda have been personally involved at every stage of the plant's design and construction and in the selection of machinery. Hence, once we go into full production by 1989, we will be one of the most efficient units in the country," he says optimistically.

Currently, with almost two years of Omax Autos' production booked by Hero-Honda, Mehta — who has set a sales target of Rs. 4.4 crores for the company's year ending 30th April 1987 — appears to be on a good wicket indeed.

BINU S. THOMAS IN BOMBAY

Sawhney's service package

"For the first time ever, we are in the process of bringing into the Indian capital market, merchant banking skills which are on a par with those anywhere in the world," says Viney Sawhney (39), a commerce, law and management graduate of Delhi University and chairman of World Link Finance Ltd. (WLF). The company is going public on 14th April with an equity issue of 12 lakh shares of Rs. 10 at par.

In addition to the "usual onshore services such as feasibility reports, management of share and debenture issues, local syndications, private placement of funds, underwriting, etc.," WLF will offer managers in Indian industry sophisticated offshore services including advice on Eurodollar loan syndications, floating rate notes, currency and interest rate swaps and revolving underwriting facilities. In the domestic market too, WLF intends revolutionising consumer spending patterns through the introduction of an innovative personal loan programme for the salaried middle class, says Sawhney.

Certainly, Sawhney, who put in a 11 year stint with Citibank in India and a seven year term with the National Bank of Bahrain, has the experience and background to deliver the promises that WLF makes in its prospectus. So does Suresh Mahajan, president of WLF. Mahajan, also an ex-Citibanker, was subsequently with the World Bank for five years.



Sawhney: "there is a definite need for financial services of the highest quality in the corporate and retail sectors"

The confidence in WLF's ability to deliver the goods is shared by a galaxy of industry heavyweights including Ajit Haksar, chairman emeritus of the Calcutta-based ITC; K.B. Lal, the distinguished civil servant; and Kamaljit Singh, managing director of Wimco, who have agreed to serve as directors on the board of WLF. "The company has already tied up turnkey projects and portfolio management contracts valued at Rs. 25 crores from non-resident Indians and foreign entities. In addition, we have also obtained bank limits of over Rs. 4 crores in this country," says Sawhney.

Good response. In particular, Sawhney is enthusiastic about WLF's personal loan programme which will offer consumer loans to the salaried middle class. "This programme has already received an excellent response from the managements of several respected companies in the corporate sector. The scheme envisages that an employer will deduct a sum — agreed upon between the employee and WLF — from the employee's salary every month and pay it into WLF's account with a designated bank. Once a company becomes a member of this scheme, we are confident that we can disburse a consumer loan to its average employee within 45 minutes. Surprisingly, this kind of scheme has never been introduced in India before and we are getting a tremendous response to it from the corporate sector," says Sawhney.

Not surprisingly, despite the depressed conditions in the stockmarket at present, Sawhney does not expect to encounter any problems in marketing the WLF public issue. "There is a definite need for financial services of the highest quality in the corporate and retail sectors of the economy, particularly because of the spurt in investment activity which has been the consequence of the relaxation of controls over the economy by the Rajiv Gandhi administration. In particular, there is a felt need for expert advice on the structuring of corporate finances to make them cost effective and expeditious. I believe we are eminently qualified to provide these services," says Sawhney.

DILIP THAKORE IN BOMBAY

First off the mark

As the first ever launch of the much talked about cumulative convertible preference (CCP) shares, the Rs. 1.04 crore public issue (CCP-cum-equity) of the Madras-based Udaya Leasing Ltd. which opened on 6th March was watched with considerable interest by the capital market fraternity. And the fact that it was oversubscribed on the very first day of the issue opening, further added to the interest the issue aroused.

Promoted by the well-known Madras Motor Finance Group (MMFG — estimated sales: Rs. 24 crores in the year



Sivan Nair: CCP advantages

ended 31st March 1986), Udaya Leasing Ltd. was incorporated in August 1984 and is *inter alia* engaged in providing lease finance for industrial equipment, motor vehicles and construction, and hire purchase finance for motor vehicles, consumer durables and office equipment. In the very first year of its operations (ended 31st October 1985), the company recorded a gross income of Rs. 13.78 lakhs and declared a maiden dividend of 18%.

"In order to augment the long-term resources for the expansion of our activities and to enlarge the capital base to facilitate the acceptance of deposits from the public to a larger extent, we decided to float a public issue of 5,19,780 equity shares of Rs. 10 each and 51,978 CCP shares of Rs. 100 each, both for cash at par," says P.V. Sivan Nair (48), chairman of Udaya Leasing, who is also the chief executive of MMFG.

Several advantages. According to Nair, the issue of CCP shares is advantageous for the company in several ways. "For one, the company is obliged to pay only a minimum of 10% interest on these shares for a maximum period of five years, after which time they are converted into equity. Anything above 10% depends on the magnanimity of the board. Further, lease and hire purchase companies such as Udava Leasing are entitled to accept deposits from the public to the extent of 10 times their net owned funds and CCP share capital is also considered a part of net owned funds. Given these advantages, we decided to go ahead with the issue of CCP shares for the first time in the country," says Nair.

However, the fact that the issue was oversubscribed on the very first day itself, does not impress Nair. "Actually, we do not consider this much of an achievement. Given our vast existing clientele and our large network of offices, we were confident of the issue doing well. In fact, since the demand from our existing clientele itself was heavy, we had requested the controller of capital issues to permit us to have a preferential allotment of 50% of the total issue, but he declined," he says.

There is no doubt that the MMFG connection, with its network of 15 branches, 200 agents and an existing clientele of 24,800 shareholders and 30,000 deposit holders, is a major plus point for Udaya Leasing. In fact, a major lease arrangement on the cards is with another MMFG company — Sanathana Dharma Gurukulam Ltd, the first public limited public school–to construct staff quarters at a cost of Rs. 1 crore and to provide them on a lease basis. Says Nair, "We plan to concentrate on construction leasing and would like to specialise in this mostly in areas in and around Madras. The major reason for this is that real estate normally appreciates faster than most other assets."

Given its pedigree, as well as its line of specialisation, namely construction leasing, where there are few competitors as yet, Udaya Leasing seems well poised to notch up several more firsts in the years ahead.

CHANDU NAIR IN MADRAS

The Veritas response

Passing through the country's premier port city of Bombay recently was Sven B. Ullring (49), the newly appointed president of the world renowned Norwegian ship classification society — Det Norske Veritas (gross income: 1,427 million Norwegian kroner or Rs. 228 crores in 1985). A key element in marine insurance procedures, ship classification is an intricate field of business and has for obvious reasons remained the exclusive privilege of a few select ship classification societies. "Our business basically consists of applying our diversified engineering and technical expertise to evaluate ships and classify them on the basis of their operational safety, reliability and efficiency, mainly for insurance purposes," says Ullring, explaining Veritas' operations at an informal press meet in Bombay on 7th March.

"As distinguished from commerce and industry, classification societies have a unique culture characterised by the tenets, norms and expectations of a company's own role, which are different from those in the general run of business life," says Ullring, whose company has carved a special niche for itself in the world shipping industry.

Making a humble beginning in 1864, Veritas has come a long way in establishing itself as one of the most reputable ship classification and certifying societies in the shipping industry worldwide. "We are now one of the world's leading marine consultancy organisations and offer a wide range of technical services, which *inter alia* include marine classification, marine research and development, and verification and certification of offshore structures.We have a highly diversified technological infrastructure manned by over 3,200 experts from various fields," says Ullring.

Successful spree. Veritas' growing strength and credibility within the shipping community is well demonstrated in that it has classified 11% of the world's mercantile ships. According to Ullring, Veritas-classified ships numbered 4,042 with an aggregate capacity of 45.6 million gross tonnes (grt) as on 1st January 1985. But capping it all is Veritas' successful classification contract bagging spree, notwithstanding the worldwide recession in the international shipbuilding industry. "Of the new shipbuilding

Ullring: a special niche



orders of the magnitude of 15 million grt scheduled for delivery by the end of 1986, Veritas has won contracts to classify 20%," says Ullring, who is confident of a sustained growth in its operations.

Indeed, Ullring's confidence is no mere bravado, considering the backdrop of the deep recessionary crisis which has scuttled the world shipping industry over the past several years. Says Ullring: "We have not only survived, but have also steadily improved our market share in a competitive market."

But far from being complacent, Veritas has also devised an alternate strategy of expansion by branching out into offering several specialised consultancy services for non-maritime industries and revamping its own organisational structure to facilitate this diversification. "Shipping and offshore structures will surely remain our important markets for a long time to come, but now we must also explore new growth areas where verification needs, risks and safety problems offer an opportunity for Veritas to diversify," says Ullring, identifying aviation, computers and bio-technology as possible areas of diversification.

The Veritas profile in India is impressive with the society having classified 104 carriers, tankers and supply/support ships, among which is the first indigenously built multi-purpose supply ship *Sindhu I*. According to Ullring, Veritas-classified ships also account for about 23% of the total Indian ships in operation. More significant is the contract which Veritas has bagged for the certification of the sub-marine section of the 215 km south Bassein-Hazira pipeline being built by the Oil & Natural Gas Commission. Veritas will be a back-up consultant to the project together with Engineers India Ltd. And according to Ullring, Veritas, while pushing for new contracts, significant among them being the HBJ pipeline, also has plans for diversification into risk management consultancy, keeping in line with its worldwide strategy of diversification.

By all accounts, Veritas, with its long-standing profile, seems to be well poised to not only sail through the troubled times of the world shipping industry, but continue to grow as well.

V.A. ACHARYA IN BOMBAY

Funeral jubilee

A golden jubilee is generally an occasion to turn on the music and make merry. Yet, when the Association of Indian Phonographic Industry (AIPI) completed 50 years of its existence on 28th February 1986, the mood was solemn and the *joie de vivre* was conspicuous by its absence.



Chanda: solemn mood and conspicuously absent ***joie de vivre***

Addressing a press conference in Bombay on 27th February, P. Chanda (41), president of the AIPI, bemoaned the poor state of health of the indigenous phonographic industry, blaming it directly on the mushroom growth of pirated music cassettes. "The piracy of cassettes has reached such proportions that the very existence of the AIPI and its member companies now virtually depends on the introduction of effective anti-piracy measures, and these have to be introduced without further loss of time," says Chanda.

With the marked change in consumer preferences from gramophone records to cassettes during the last two decades, audio cassette pirates have been reaping a bonanza. "The introduction of cassettes has made it both cheap and easy to transfer music from either a gramophone record or cassette to another cassette and consequently, cassette piracy has grown like wildfire. Today, the Indian market is virtually flooded with pirated cassettes which account for some 95% of all audio cassettes sold in the country," says Chanda.

According to statistics compiled by the AIPI, as against the five million 'legitimate' cassettes sold in the country in 1985, about 180 million pirated cassettes were also sold. Comments Chanda, "This hurts not only the member companies of the AIPI but others as well. It deprives the artistes, film producers and the government of revenue which they would otherwise earn from legitimate cassette sales."

Stringent punishment. The government did realise this and it came to the rescue of the indigenous phonographic industry in 1984 when it wholly exempted pre-recorded cassettes from Central excise duty and amended the Copyright Act of 1957 to prescribe stringent punishments for audio cassette pirates. In order to assist the government in combatting piracy, the AIPI has also set up a full-fledged anti-piracy cell which provides information to the police on the basis of which the latter conducts raids on cassette pirates.

However, these measures not withstanding, the audio cassette pirates still continue to enjoy a field day, largely because of the price differential — anywhere between 30% and 100% — between pirated and legitimate cassettes. Indeed, Chanda feels that unless consumers themselves stop buying pirated cassettes on moral grounds, the indigenous phonographic industry does not have much of a future.

But such a move on the part of the consumer seems highly improbable, given the increasingly materialistic character of Indian society. In the circumstances it seems unlikely that audio cassette pirates will have to face the music for their nefarious actions in the forseeable future.

BINU S. THOMAS IN BOMBAY

Managing the corporate PC

T.A. BALASUBRAMANIAN



There is a certain inevitability about the intrusion of the personal computer (PC) into contemporary corporate functions, now that PCs have moved beyond the status of being novelties. Larger corporations are indulging in a wave of PC bulk purchases (given the near Rs.50,000 per unit value of the average PC available in the Indian market), while top management personnel are wondering what exactly all those IBM clones are going to do to improve the figures on the balance sheet.

The indigenous corporate PC buyer is price-sensitive, and nobody seems to realise this more acutely than the well-known PC-compatible marketers of today, such as WIPRO. But once the mass of PC hardware and software (much of the latter being thrown in virtually free by the vendors, no matter what the copy licence agreements say) enters the corporate sector, some problems are bound to crop up.

Managing PCs has been delegated as a function under EDP in most big corporations, as distinguished from the management of information services (under various traditional titles—manager (MIS) for instance). This function calls for a whole new approach to personal computing.

The PC manager (to choose a random new title for this function) has to be a magician of sorts. He needs to have the ability to:

- Mix with an assortment of uninitiated users and their managers effectively enough to convince them that the PC would be good for their jobs.
- Comprehend the information flow within the organisation and the distribution of databases.
- Temper enthusiasm for PCs with a realistic sense of their potential and limitations and the special situations that they create.
- Organise training and user information appropriate for a variety of different corporate demands.

The PC manager also has to have a keen technical awareness that will enable him to wade through the dozens of PC product accessories, add-ons and enhancements which are available, and select appropriate solutions to match the corporation's needs and finances.

In terms of technology, the PC revolution has contributed torrents of new products and devices and has literally fuelled the growth of whole new technical dictionaries. Words such as network topologies, file servers, protocols, emulators and pixels are raining down on managers of the personnel, accounting or marketing functions, as they come face to face with PCs. Also, part of the flood is caused by technical abbreviations such as MS-DOS, LAN, LQ, NLQ and others of that ilk, much loved by computer salesmen.

One of my most recent experiences of the bewilderment caused by technical jargon for users was while observing a computer expert trying to explain what BIOS means to a new computer user. It is not surprising that many (otherwise intelligent) people are upset by PCs intruding into their working lives, since there seems to be little relief from the downpour of jargon.

Today, most cost control issues related to PCs are in a state of flux; the obviously low hardware and software costs which enable a small company to bring in a PC for a paltry Rs.80,000 are deceptive. The real costs spring—like tigers out of bushes—from training, software and hardware upgradation, maintenance and the addition of communication and data transfer facilities.

Consequently, there is considerable confusion about the use of the PC as a corporate resource. Should it contain commonly used programs that serve a wide spread of departments? Should it be used for enhancing applications for specific departments only? Or should it be used to support decision-making for a few select senior management personnel? Should it be given fairly undemanding applications such as memos and word-processing?

One approach that would enable a PC manager to blend the multifunctional opportunity of the PC with on-line education is through a live demonstration centre. A live centre where people can simply walk in, sit down at a terminal and learn to use a variety of application software is usually received with enthusiasm by employees.

COMMON PROPERTY

Data is certainly the single most democratic commodity in an organisation—it belongs to all those who are in the organisation. And the ultimate benefits of treating data as common property available to all, far exceed the benefits of restricted access to employees. At the same time, the PC manager also has to use firm judgement about the sensitivity of some kinds of data and the related issue of data security, since PC users often find it convenient to ignore the norms and procedures of operation.

In fact, the lack of procedures can become the single most pernicious cause of ulcers for PC managers. A typical PC software designer may work on one single package or application with a fixed series of procedural steps. The danger here is that such a designer may become an enthusiastic one-application development expert, who continues building more and more complex procedures to suit the same function.

One example may be in the development of complicated financial spreadsheets for a particular department.

Given all these problems, there seems to be cause for concern while considering an investment in the PC as a data management resource for corporations. For small companies, the single PC as a decision-support tool poses very few problems, if only because the data volumes are manageable and the information sources are available. But for the large corporation with an already existing system of EDP management, the PC may create more problems than it solves, especially if there is a tendency to treat the PC as simply another processing instrument simpliciter, which it certainly is not.

The origins of personal computing lie in the attraction of having computing ability at the disposal of the individual. To forget this fact and to regard the PC as a gear that should mesh smoothly into corporations, could prove to be an expensive error. The availability of business software does not *per se* sanctify the use of PCs within a business corporation. The real business PC as a management resource has yet to evolve.

Industrial economist

Economics, as a field of study, covers a very broad spectrum, giving an aspirant adequate opportunities to study, analyse and research several specific areas of economic activity. Indeed, so wide is the subject matter of economics that some degree of specialisation is inevitable even for those who study the subject at the undergraduate or postgraduate level. Consequently, today, economists specialise in the areas pertaining to industry, agriculture, transport, foreign exchange, rural development, education, monetary policy, fiscal policy, international trade, public finance, banking, etc., etc.

An industrial economist specialises in the research, study and analysis of economic policies and trends relating to industry. Thus, in the Indian context, an industrial economist must be conversant with industrial licensing policies; monetary policies which have a direct or indirect bearing on industry; five year plans; the regulatory environment including regulatory laws such as the MRTPA, FERA, and company law; pricing policies prescribed by the government; the rules that govern foreign trade and collaborations; investment policies, etc. This knowledge may be used to devise new policies, recommend specific investment and marketing strategies, or even to mount a campaign on behalf of a company or an institution to demand for a change in governmental policy. Thus industrial economists are employed both by government—where their knowledge is used primarily in the formulation and evaluation of policy—and by industry and financial institutions; where they perform the functions of policy evaluation, corporate planning and lobbying for policy changes.

With growing competition and an accelerated tempo of growth within the Indian economy, an increasing number of business corporations (including banks, financial institutions, and large and medium-sized industrial corporations) are beginning to employ industrial economists to interpret, analyse and evaluate policy, whet new project proposals and provide information inputs to top management. Industrial economists are also employed by academic and research institutions, and by business associations such as FICCI, ASSOCHAM, etc. Governmental agencies such as the Planning Commission and the ministry of industry apart from the others, also employ specialist industrial economists to draw up macro-economic plans, evaluate policies and even recommend policy changes.

Significant role. Comments Dr Sampath S. Iyengar (46), manager, economics, Industrial Credit and Investment Corporation of India (ICICI), Bombay: "Among the other functions, industrial economists have a significant role to play in sketching the industrial and economic scenario against which projects are conceived and implemented. In carrying out this function, they pinpoint the strengths and weaknesses of project ideas, besides highlighting and analysing the economic benefits, quite apart from the financial returns, of projects. The contribution of an industrial economist becomes all the more important now, given the changing complex industrial situation and the need to improve the competitiveness of Indian manufactures."

Given the extraordinarily profuse and complex laws and policies that govern Indian industry, the determination of the viability or otherwise of a new project is clearly no simple matter and calls for specialist skills. The industrial economist has a major role to play both in interpreting the corpus of laws constituting the industrial environment to his or her employers, and also in analysing the economic impact of these laws on the project under review. Though the industrial economist may not be directly involved in the identification of profitable or worthwhile projects, he or she is often called upon to determine whether, given the corpus of laws and the underlying economic trends, the assumptions on which the profitability of the project is estimated are valid or not.

Because of this close involvement with a company's expansion plans, the industrial economist is often placed at a vantage position within the company, from which he or she is able to view the company's performance, strengths and weakness from above, as it were, and to relate these to the overall economic environment and to other companies in the industry. Not surprisingly, particularly in companies which are growing and diversifying rapidly, competent industrial economists become key members of the top management team, and consequently rise rapidly up the hierarchy.

Often, the corporate planning function is but a stepping stone to top level operational and line jobs.

Free rein. But while the industrial economist in the employ of a corporation or company has perforce to keep a close tab on the micro-economic implications of broader policies and trends, which, in the final analysis, does result in some narrowing of concerns, the industrial economist who works in government or in educational institutions has a relatively free rein to explore and analyse the larger issues and take the macro view, which is undoubtedly both interesting and challenging.

Industrial economics is taught at both the BA and MA levels at Indian universities, many of which also offer research (M. Phil and Ph.D) degrees in industrial economics. As a general rule, those universities, which have long-established and reputed departments of economics, also offer the better study courses in industrial economics, though it is probably not incorrect to observe that graduate and undergraduate courses in industrial economics are usually of a sketchy and general nature, and as such serve only as a starting point for further on-the-job or specialised research training.

Though a fresh graduate in economics with some training in industrial economics can secure employment as an industrial economist in industry or government, on a salary of Rs. 1,000-1,200 in junior positions, most employers require a postgraduate or doctoral degree in industrial economics. People with such qualifications can of course aspire for senior positions, at higher salaries, depending upon their capabilities and experience. Starting salaries range between Rs. 1,500 and Rs. 2,500 for a postgraduate and between Rs. 2,000 and Rs. 3,000 for an aspirant with a Ph.D. Within industry, the upper limits of salary are indeterminate and could compare favourably with the highest level of managerial remunerations, depending on the role played.

Bright prospects. "With a strong felt need for industrial economists, I visualise bright prospects for them. These prospects have to be viewed against the background of factors which make industrial economists really 'scarce.' While there is an increasing demand for the services of industrial economists, there appears to be a dearth of formally qualified industrial economists with the requisite training and maturity. It must be realised that with the public sector playing a major role in setting up large-sized industrial projects, which are expected to generate resources for the development effort, decision making, based on sound economics, is increasingly assuming importance," observes Dr. Sampath S. Iyengar.

C.V. Hari Narayanan

Growing Bigger to Serve you Better — Indian Tyre Industry



Employment Opportunity:
40,000 direct employees. Over 3 lacs indirect employees. And growing every day.

Contribution to national exchequer:
50% of turnover. 800 crores in 1984. 4th highest source of duties and taxes. Although Industry suffered loss of Rs. 60 crores on turnover of Rs. 1,600 crores.

Independent distribution system:
11 companies; 450 sales depots; over 5000 independent dealers. Tyres of your choice available anywhere in India.

Unique lifetime warranty:
Guaranteed quality. Replacement in case of manufacturing defects. Pro rata to initial tread wear. Regardless of date or place of purchase.

Growing in size and range:
Meeting India's total requirement. From bullock carts to supersonic aircraft; mini scooters to giant earthmovers. Fabric cross ply to steel belted radials. The widest range of tyres in the world.

Growing export earnings:
Nearly $5^{1}/_{2}$ times increase in 3 years. From 15.8 crores in 1983-84 to 48 crores in 1984-85 and Rs. 80 crores anticipated in 1985-86. Competing in the most sophisticated international markets. USA, Europe, USSR, Middle East.

Growing to meet future challenges:
Keeping pace with automobile revolution. More than enough capacity to meet leap in demand. Continuous technological upgradation to make better tyres. To meet toughest conditions; roughest usage.

For more details about the tyre industry contact:-

Automotive Tyre Manufacturers' Association

108, Uday Park, New Delhi-110 049

Indian Tyre — the better tyre

SPACE PLAN

BusinessWorld
March 31—April 13, 1986

A business-man's economist

Though the services of industrial economists are widely utilised even in the most *laissez-faire* of developed nations, they are required with as much, if not more, urgency in mixed economies such as India's where the regulation of all economic activities by the government is staple. Even if the corpus of regulatory laws were simple and unchanging, they would require specialist knowledge to interpret. Therefore, in the Indian context, where regulatory laws have proliferated in geometric progression over the years, and which are so complex and convoluted to boot, it is no surprise that many industrial corporations and groups employ specialist economists merely to interpret changing policies and regulations.

"Interpreting policies, in fact, constitutes my most important function," says Dattatraya Ramchandra Pendse (55), economic advisor to the Tata group's think-tank company Tata Industries Ltd., and director of Tata Exports Ltd. and Tata Finance Ltd. "In India, policies are so complex and they change so often that large industrial corporations need a specialist cell to interpret and evaluate such policies on a continuous basis, and to predict the impact that these changing policies will have on the economy in general and on specific industrial sectors in particular," adds Pendse, who heads a team of eight economists who conduct evaluative studies of India's five year plans, annual budgets, and the growth trends of specific sectors of the economy for the directors of all the Tata group companies. "Much of this work is in essence an exercise in macro-economic analysis," he says.

According to Pendse, an industrial economist should be capable of interpreting and forecasting national and sectoral economic trends, on a continuous basis, prepare background notes on various topics at short notice, assess and analyse the implications of government's policies and plans in diverse fields, and advise the top management of the organisation on economic and financial issues in "a comprehensible language."

Weak moments. Regarding his own decision to pursue this profession, Pendse remarks nostalgically, "After my education and research, I spent several years in the service of the government of India. I learnt much during that time, but I also felt that the structure and organisation of government cramped my style. In 1967, perhaps in one of their weak moments, the Tata Industries management asked me to join their organisation. And perhaps in a weaker moment, after a few years, they made me their economic advisor."

Pendse graduated in economics from Poona University and went back as an undergraduate student to Cambridge University, UK, where he completed his



Pendse: interpretive function

BA and MA degree programmes. After spending a few years as a research fellow at the Delhi School of Economics, Pendse joined the government of India as an economist in the ministry of commerce and industry (forward marketing commission) and subsequently was deputed to the ministry of finance (stock exchange division). He was the government nominated director on the board of several stock exchanges and commodity exchanges. He was also the secretary of the forward markets review committee of the government of India.

Pendse joined Tata Industries as a senior economist in 1967 and is currently the group economic advisor to the Tatas (since 1973). Currently, he is also a director on the boards of Tata Exports Ltd., Tata Finance Ltd. and Dr. Writer's Food Products Pvt. Ltd.

Though most companies which employ industrial economists ask their economists to play a major role in the corporate planning function as well, Pendse is emphatic that his and his department's functions are kept strictly separate from the corporate planning activities of the various companies in the group. "I do of course receive project proposals from the various companies within the Tata group, and I make comments on the viability of these projects, but this is done in my personal capacity," says Pendse.

Pendse has to his credit, a long list of well-researched articles and papers on diverse economic and financial subjects, published in various economic and financial journals in India and abroad. He has addressed and participated in several public meetings, management and other courses, seminars, workshops and discussion sessions both in India and abroad. These assignments have led him to organisations such as the Asian Development Bank, the World Bank, the University of Chicago and the International Labour Organisation. He has also addressed many international conferences on energy in the UK, France, US Mexico, etc., etc.

"Beyond a point, this distinction may seem unconvincing, and I do realise that when I write and speak before a larger audience, my views are believed to represent, if not my employers', then industry's interest. But whether this is true or not, the industrial economist who works for industry does tend to become a spokesman for industry. And depending on his personal reputation and the clout that he derives by virtue of his official designation, his views are taken note of within policy making bodies, and thus, the industrial economist does play an indirect role of a lobbyist," says Pendse, who believes that his views are taken cognisance of in the highest policy formulating circles in Delhi and Bombay.

Thus, argues Pendse, the profession of an industrial economist can be a richly satisfying one for a person who is committed to it and who develops the necessary competence to comment authoritatively on broader policy issues. Yet, even for the somewhat less ambitious industrial economist, Pendse predicts a bright future ahead.

"Industrial economists with the requisite maturity and competence are in short supply and the demand for them is growing rapidly as more corporations and other organisations require the services of industrial economists currently. I therefore see both ample opportunities as well as rewards for people of the right calibre," concludes Pendse.

C.V.Hari Narayanan

Job enrichment basics

ARUN MONAPPA



An area that is gaining importance in western countries, and now in India, is that of worker development as a part of a more integrated human resource management. The objective of this approach is to maximise individual effectiveness and increase organisational productivity. Human resources development (HRD) approach considers the personnel function, the organisation, and the individual in an integrated manner.

In particular, HRD systems are beginning to pay increasing attention to job enrichment programmes to improve individual and organisational productivity. Job enrichment experiments have broadly been centred around the philosophy of improving the quality of working life or the humanisation of work.

Motivation theories as enunciated by A. Maslow in his masterly work *A Theory of Human Motivation* have taken into account a hierarchy of needs of the individual. The lower order needs are physical and the higher order needs are intellectual. The progression is from one level to another, implying that a lower order need has to be satisfied first before the individual can think of the one at the higher level. The needs in order of importance are: physiological needs; safety needs; social needs; esteem needs; self-actualisation needs.

Physiological needs. These are the physical prerequisites for survival such as hunger and thirst.

Safety. These centre around the security that an individual seeks in terms of having a permanent job and protection from the physical environment.

Social needs. This is the need which centres around the affiliation to a social group either within the workplace or outside. A man needs to interact socially and belong to a group which will give him such support.

Esteem needs. The need to bolster one's worth, one's confidence, and one's knowledge achievements which are recognised as something worthwhile and of significance. Such recognition adds to one's personal sense of worth.

Self-actualisation. The need to pursue in an unfettered manner an interest of one's choice, which will lead to fulfilment if achieved. A teacher may want to pursue an area of research interest which may take time, but is thwarted from doing so by the organisation's administrative demands. A worker may achieve self-actualisation by becoming a highly skilled technician.

Within a need hierarchy it does not necessarily mean that a lower order need has to be wholly satisfied before a person begins to think of the next one. A need has to be satisfied to a certain extent, before the next need manifests itself. The exact quantum on the continuum varies from individual to individual.

One more postulate worth noting is that a satisfied need is not a motivator any more. Only a partially satisfied need will be a motivator. Again, it is possible that a certain kind of behaviour may be triggered by a combination of all the five motivators in greater or lesser degree. So to a certain extent it may be stated that one motivator may be slightly stronger than the other four. Motivations which result in certain kinds of behaviour have therefore to be understood in terms of this manifestation by an employer. Deprivation may manifest itself in a variety of ways—anger, resentment, frustration, violence, lack of enthusiasm to work, idling and absenteeism.

An American behavioural scientist (F. Herzberg), who made a significant contribution in terms of explaining human motivation, spoke of two areas—motivators and hygiene. Motivators are factors that are 'intrinsic' to the job itself, i.e. the kind of work, recognition and opportunity for growth and advancement. The factors that would lead to dissatisfaction are hygiene factors—company policies, supervision, working conditions, salary and status. In other words, the absence of hygiene will not foster the increase of motivation, but its presence will help.

DIFFERENT PERSPECTIVE

The well-known American management thinker, McGregor, postulated another approach, a style of management to increase motivation. His approach was an employee-or-person-centred approach. This called for looking at the drives and attitudes of an individual from a different perspective than was traditionally done. The human being was to be treated as a reasonable person with a sense of responsibility. In addition, conducive working conditions and facilitative supervision would help make the individual feel more responsible.

On the other hand, man is viewed as a person who has to be driven by his supervisor to extract any work. Theory 'X' viewed man as one who resented work and was not involved in his work environment. Therefore, the job had to be broken down into simple, minute fragments and tight supervision was necessary to ensure attainment of pre-set targets. Theory 'X' connotated the directive philosophy of man, whereas theory 'Y' viewed man as a more responsible person, who needed a facilitative work environment to achieve the task that was set for him.

Traditionally the concept has been to design jobs in minute details, issue memos on how the job is to be done and to follow it up with controls. This concept has been increasingly questioned since if the job is dull, repetitive, monotonous and meaningless, it breeds counter-pressures in the individual who resents it. This resentment is manifested in a variety of ways as indicated earlier. This then was the rationale of starting job enrichment experiments.

Much research work in this field has been done in the automobile industry. The automobile industry was, and is to a large extent, based on the principle of perfection of what is called the 'flow line technology.' The flow line technology was based on the Taylorian concept which was to make the job as simple and repetitive as possible. If the job was simple and repetitive then a worker would be able to become proficient fairly quickly and therefore his output would be high. To maintain a high output, financial rewards in the form of incentives were offered. So the financial motivation to induce and sustain a high rate of production was also provided for.

With the qualitative change in the workforce, and its fresh approach to work and its meaning, resentment increasingly built up against the Taylorian approach to work. The technology, i.e. the conveyor belt, determined the speed or place of work, the individual had little discretion or control. Secondly, the same, simple activity was repeated throughout

the day, with no variety, and gave the worker no choice in what he did.

Job enrichment schemes provided increased 'content' and 'discretion' in the jobs to the operator on the one hand, and on the other, the hygiene factors were improved. Efforts were made to reduce noise, pollution and to make the workplace more congenial.

One of the pioneering efforts at job redesign and job enrichment was the work done in the works of the Swedish car manufacturing company Volvo, in 1969. Some of the company's problems were: an absenteeism rate of 12%-15% and a high turnover rate. This meant uncertainty in terms of manpower availabilty to man the assembly line, labour shortage and constant need to train new workers to man their jobs. Steps had therefore to be taken to retain personnel and reduce the rate of absenteeism.

DEMEANING STATUS

One of the factors that was brought to light by a team of investigators studying the problem was the demeaning status and content of the assembly line job. Workers, it was found, preferred non-repetitive and varied kinds of jobs. The tight labour market situation was also a factor that was considered in evolving schemes for the retention of the existing workforce.

The rationale for change in the design of the production process and work organisation was built around four areas: (i) the current personnel problems as detailed above; (ii) the more efficient use and adaptation of the motivation theory; (iii) the recognition of structural changes in the social composition of the workforce, i.e. younger workers with better education and a different set of expectations from their jobs as compared to their parents, etc; and (iv) following from the points detailed above was the need or the utility of worker participation and the need to bring about qualitative changes in the way the work activity was designed. In other words, a reappraisal of the existing notion of work ethics.

Keeping these objectives in view, a new plant was set up at Kalmar in Sweden. The design of this plant was very different from the traditional automobile factories. Several bays were built to give a sense of independence to distinct work groups. Facilities like saunas and well equipped rest rooms were provided, with considerable stress on the environment, both in terms of landscaping and production related in terms of reduction of noise, pollution, quieter tools, etc.

Work groups were created and were made responsible for sub-assemblies. Each group had a fixed target to be produced. By a remarkable technological feat, a 'carrier' was invented, which would carry the components or sub-assemblies of the car under production. Each sub-group would contribute its sub-product speciality to the car on the carrier.

The speed of the carrier was flexible and it was computer-controlled, thus allowing it to be manipulated to suit several needs and also to take into account the inputs of the various sub-groups. This was a radical departure from the earlier assembly line technology where the speed was predetermined.

HOMOGENOUS SYSTEMS

Within these parameters the work groups were sought to be built as homogenous socio-technical systems. Workers were not islands in the workplace. They interacted with their colleagues and helped stand in for a colleague who had to do some pressing work at any particular point in time. With regard to the work itself, a worker now had variety in his job—he was taught multiple skills, so that he could switch around jobs within the sub-group voluntarily or stand in as a replacement. Again, the variety coupled with the fact that they were working on a larger or fuller sub-assembly gave workers some product identity; the result of their efforts was something tangible, rather than their merely being cogs in the assembly line. Thus they attained a sense of achievement.

The work group also had a flexible working time. They could build up inventories and feed the carrier, and relax a bit or take time off to attend to other activities. Therefore, both 'content' was increased and 'discretion' was built into their jobs.

The consequence was a dramatic improvement in the quality of the output on the production line after the introduction of the job enrichment scheme. There was a sharp drop in absenteeism rates and an improvement in the quality of the product with enhanced productivity.

Another perhaps more relevant job enrichment experiment was conducted by an indigenous organisation called Dynamo Corporation—a large public sector company in the engineering industry. The details of the experiment are recounted by

'The consequence was a dramatic improvement in the quality of the output on the production line after the introduction of the job enrichment scheme. There was a sharp drop in absenteeism rates and an improvement in the quality of the product with enhanced productivity'

R. De in an article, 'Training Strategy for Required Attitudinal Change' in the *National Labour Bulletin,* (2 (1), January 1976, pp. 13-28).

The fabrication shop of this corporation had a variety of skilled operators. In the pre-experiment situation, each performed his independent activity and was idle for the rest of the time. In a highly interdependent activity, absence or slow output of one affects others. This idle time could be used to bolster productivity by helping out colleagues. Therefore, the work group concept was first created so that all workers in that unit were now members of a small homogeneous work group. Workers were trained in each other's skills and therefore there was variety and each was able to complement the other when the need arose.

De exhaustively recounts that the variety of skills learnt by each individual gave him a greater motivation drive. This resulted in improved productivity for the unit as a whole.

CHANGING ASPIRATIONS

The expectations of workers from the work environment are changing. This is due to many factors such as changing levels of education and aspirations, shifts and values, alienation and rising militancy among them. Though economic factors are still an area of primary concern for workers, the contemporary worker wants opportunities to meet higher motivational needs through his job.

As a response to this mood of workers and a fall in productivity in western countries (particularly in the US), many experiments have been attempted to bring out the latent potential of workers by involving them in decisions affecting their work lives. It is time that managers in Indian industry did likewise.

BusinessWorld
March 31—April 13, 1986

Morals & manners in Indian industry

By DILIP THAKORE

The unremitting intensity of the Union government's tax raids against some of the most respected names in Indian industry has highlighted the moral rot that has seeped deep into the vitals of Indian industry. Yet is the crisis of morality – whatever its causes – in Indian industry beyond redemption?

Within the boardrooms and inner councils of Indian industry — as perhaps within the polity as a whole — the euphoria generated by the smooth induction into office of the new generation 15-month-old Rajiv Gandhi administration has turned into a sentiment bordering on despair.

The initial rapid-fire actions of the new administration in New Delhi — typified by the liberalisation of the industrial licensing system with the introduction of the 'broad-banding' concept; the raising of the assets limit qualification for the purposes of the Monopolies and Restrictive Trade Practices Act; and the cut in direct tax rates applicable to corporations and individuals had been received with loud hosannahs from the captains of industry within the private sector in particular.

But inevitably, these long overdue measures to unshackle Indian industry, in which entrepreneurial and managerial growth impulses have been cabin'd, cribbed and confined by amazingly complex rules and regulations devised by a pedestrian bureaucracy, invited a hostile reaction. And not entirely surprisingly, the somewhat green Rajiv Gandhi administration was stampeded into switching tracks and taking to the politically safer populist road. This reversion to populism manifested itself in a sudden emphasis on the primacy of the public sector within the economy and by the mounting of a series of raids to unearth tax evasion and other economic offences on some of the most respected names in Indian industry.

According to a Union finance ministry press release dated 4th March, no less than 21,655 raids and seizures — an increase of 14% over the previous year — were conducted against economic offenders in 1985. Though this mind-boggling statistic, which translates into 59 raids and seizures per day, is largely boosted by arrests and seizures made from petty smugglers in ports and airports, a significantly large proportion of the raids were conducted against corporate enterprises within the organised sector



for alleged violations of the customs, excise and foreign exchange laws.

Writing in the *Indian Express* (21st February), Somnath Sapru and Devsagar Singh report that the Union government's Enforcement Directorate which investigates violations of India's strict foreign exchange laws, particularly the Foreign Exchange Regulation Act, 1973 (FERA) uncovered "fraudulent deals involving laundering of Indian money abroad and other illegal foreign exchange transactions estimated at over Rs.1,000 crores," in 1985. According to this report, the number of searches and raids conducted within the industrial and business community rose from 1,867 in 1982 to 4,565 in 1985 and the aggregate amount of illegally acquired foreign exchange seized rose from Rs.45 lakhs to Rs.22 crores during the same period. "Official circles maintain that almost every major Indian firm has its *benami* (nominee) companies abroad," write Sapru and Singh.

Indeed, so widespread and concerted have been the raids mounted by the enforcement agencies of the Union government, that some of the largest and most respected industrial establishments in the country have suffered searches and seizures and the ignominy of what is now known as trial by the press. Among the big names in Indian industry which have been raided and maligned in the media — if not always charged in court — since November 1984: Lala Charat Ram (alleged foreign exchange law violations) and the Modis (excise) in the north; Kapal Mehra of the Orkay group (customs and excise), Reliance Industries (excise), Bajaj Auto (income tax) and S.L. Kirloskar (foreign exchange) in the west; Vijay Mallya of the United Breweries group in the south; and the top management of Bata India in the east (see box).

It is this dimension of the tax and other economic offences raids, popularly known as tax raids — that the law is not a respecter of status or address, in the words of Union finance minister V.P. Singh — which signifies a departure from past practice. Tax raids have been conducted in the past. But they have been directed at smaller fry in the corporate world and were usually discreetly "compounded" as per the surprising provisions of the soft and highly discretionary laws enacted by Parliament. Indeed, it is difficult to recall a case involving the commission of economic offences which has resulted in the conviction of a businessman, since the Mundhra-LIC scandal of the mid-fifties.

But during the last 15 months since the induction of the Rajiv Gandhi administration into power in New Delhi, the picture has altered radically. Quite obviously stung by charges that the Central government is "pro-rich and anti-poor," even while loosening the shackles that have hitherto bound managers — particularly corporate planners — in the private sector, the new administration has cracked down on suspected economic offenders within the organised sector with a vengeance which smacks of a vendetta.

POLITICAL DIVIDENDS

The first indication of the Union government's new resolve to earn political dividends by booking some of the biggest names in Indian industry for economic offences was evidenced in the now famous Kapal Mehra case. On 1st November 1985, Kapal Mehra, chairman and chief executive of the Bombay-based Orkay Silk Mills Ltd. (sales: Rs.184.71 crores in the year ended 31st March 1985), was arrested by the Union finance ministry's directorate of revenue intelligence (DRI). The charge: that the management of Orkay Silk Mills had arranged for the under-invoicing of imports of polyester filament chips by making illegal part-payments abroad. Since customs or import duties are levied *ad valorem*, the alleged under-invoicing of Orkay's imports had occasioned the Union government a loss of revenue calculated at Rs.1.5 crores.

Yet, the significance of the Kapal Mehra case in the history of Indian industry is that for the first time in living memory, a top-rank captain of industry was put behind bars ("remanded in judicial custody") for almost three weeks. Much to the surprise of the business community and the populace in

A who's who of tax raids

Date	Name	Charge
1st March 1985	Rajinder Sethia, chairman, Esal Ltd.	Allegedly fraudulent acquisition of loans from Punjab National Bank, London
21st March 1985	Murugesh Jaykrishna, managing director, Ambica Mills Ltd.	Alleged attempt to smuggle Rs.46.63 lakhs in foreign exchange out of India
27th October 1985	Dhirubhai Ambani, chairman, Reliance Industries	Show cause notice for alleged evasion of excise duty of Rs. 27 crores.
1st November 1985	Kapal Mehra, chairman, Orkay Silk Mills	Alleged under-invoicing of imports and evasion of import duties
30th November 1985	Pradip Madhavji, managing director, Thomas Cook (India) Ltd.	Alleged issuance of blank travellers cheques in violation of FERA
12th December 1985	S.L. Kirloskar, chairman, Kirloskar group of companies	Alleged violation of FERA
17th December 1985	Rahul Bajaj, chairman, Bajaj Auto Ltd., and its officers and dealers	Alleged violation of income tax laws
6th January 1986	Vijay Mallya, chairman, United Breweries group of companies	Alleged violation of FERA
21st January 1986	Sanjay Dalmia, director general, Golden Tobacco Co.	Alleged evasion of excise duty payable
5th February 1986	P.T.J. Knaapen, managing director, Bata India Ltd.	Allegedly fraudulent customs duty drawback
17th February 1986	J. C. Chopra, senior vice president, Voltas Ltd.	Alleged evasion of excise duty aggregating to Rs.5 crores
22nd February 1986	C.S. Samuel, president, Brooke Bond India Ltd.	Alleged violation of FERA

A manager is as good as the decisions he makes. But often, decision making is an unenviable task. Especially when the odds for success and failure are even. And logic...research...even space-age computers can't guarantee fool-proof analysis. So how are fool-proof decisions made?

Decision is essentially a choice between alternatives.
The choice can be made in three different ways: by tradition, by random selection or by analysis.
Tradition chooses one way and is blind to all other ways.
Random selection gives equal weightage to all possible ways.
Analysis considers the advantages and disadvantages of the various possibilities and logically selects the best.

Logical decisions

To analyse the advantages and disadvantages, information is necessary. Where all relevant information is readily available, the cost/benefit analysis is purely logical. In management, such information is available only in relatively minor decisions – which can be termed as "postage stamp" decisions. Once the postal rates and the weight of the article are known, a single correct decision is possible. It becomes a pure exercise of "logic".

Use of intuition

However, in the case of important decisions, full information is rarely available. The distance between the office and the airport is known and the speed at which a vehicle is capable of being driven at, is known. However, the time taken to reach the airport from the office also depends on the traffic conditions. This information has to be "estimated" on the basis of past experience and intuition.
The use of intuition, assumptions or "created information" plays a greater and greater role as the importance of the decision increases. In operational decisions like sales forecasting, production scheduling, inventory control, etc. the collected information plays a large role. However, a certain amount of "created information" is also used.

In strategic decisions, the collected information can be used to narrow down the number of choices. However, in making the final decision, "created information" plays the vital role. Examples of such decisions are: choice of location, technology, product-mix and capacity. Take, for example, the selection of an aeroplane for Indian Airlines. Collected data regarding the efficacy of various aeroplanes under Indian conditions narrows down the choice to three or four aeroplanes. Thereafter the decision depends essentially on the expected price of fuel and the expected traffic density – in the future. Since the aeroplanes will be supplied three to five years thereafter, the decision has to use "created information" about fuel prices and traffic density 5 to 15 years from the date of the decision.

To create such an information, experience is not always adequate. Experience refers to the past but the future is not always a projection of the past. So intuition has to be used.

And this is what makes decision an art!

This also means that managers who have been successful in taking largely logical decisions at junior and middle management levels may fail at the senior and top management levels unless they master the art of decision-making, through effective use of intuition.

Success of a decision

The success of a decision often depends on the commitment



The Art of Decision Making



by Sharu S. Rangnekar
Management Educator, Bombay.

with which the decision is implemented. Many a brilliant decision has failed because its implementation lacked enthusiasm.

And this brings us to another aspect in the art of decision-making: how to make the decision acceptable to those who are responsible for implementing it.

Charisma is one way of making the decisions acceptable. A leader with charisma can make his followers suspend their judgement in favour of his judgement. However, such charismatic ability is rare and cannot be depended upon universally.

Another way to make the decision acceptable is to get the implementers involved in decision-making. There are basically three stages of such an involvement. The first is to talk with them about the decision and seek information. The second is to seek their suggestions or advice. The third is to get them to evolve the decision. Involvement becomes increasingly greater as we move from the first to the third stage.

Problems in participative decision-making

In practice, however, it is not always possible to resort to fully participative decision-making. Certain basic pre-requisites have to be met. Firstly, there has to be a certain degree of identity in the goals of the person responsible for decision-making and of the persons responsible for implementing the decisions. Then alone the participation will guide the decision towards the commonly accepted goals. Where the implementers have an agenda of their own – different from that of the decision-maker – the decision might become a compromise that might not give the best possible results. If a manager wants to change procedures that are giving illicit benefits to his subordinates (e.g. through corruption), participative decision-making is unlikely to bring about an effective decision.

Similarly, there are situations where the subordinates are not ready to accept the responsibility involved in the decision-making. In such cases, the participation procedure becomes a waste of time. However, it is possible to develop the subordinates stage by stage so that they trust the boss and have confidence in themselves to embark on participative decision-making.

Involving the persons progressively in decision-making is also an art – and a vital one for the success of the decision.

The vital art

Thus, in spite of collection of any amount of information and analysing it with the most sophisticated computers, making important decisions and implementing them successfully is a vital art in the practice of management.

This message comes to you, from Vimal.
The trusted corporate fabric.
And this summer, Vimal brings you another competent range of Polyrich Suitings. Fine textured. In summer-compatible shades.

VIMAL
Polyrich Suitings



World Billiards Champion, Geet Sethi



Patodia: depressing effect

general, the DRI tenaciously opposed Mehra's application for bail on several occasions. Only on 18th November was he permitted to be released on bail

For Orkay and Mehra, this incarceration, which sent the value of the company's equity share plummeting on the Bombay Stock Exchange, was the second blow within a few months. On 1st June 1985, the anti-evasion wing of the Central excise department had imposed a penalty of Rs.10 crores on Orkay for alleged evasion of excise duties payable to the government and a Rs.50 lakh fine on Mehra personally. Happily for the company, on 25th February last the Bombay high court struck down these orders.

But if the Orkay case and the Union government's vindictive attitude towards Mehra shocked and demoralised the captains of Indian industry in the private sector, worse was yet to come. On 12th December last year, S.L. Kirloskar, the octogenarian (83) head of the highly respected business house of Kirloskar, and several top-level Kirloskar group executives, were arrested in Pune on charges of violating FERA provisions. More specifically, the charge against Kirloskar was that several companies within the Kirloskar group had made large-scale investments abroad without the permission of the Reserve Bank of India as is required by law.

AN INSTITUTION

Kirloskar's arrest staggered the captains of Indian industry in the private sector at a time when they had been shaken by Mehra's arrest and the launching of tax raids on some of the most respected names in the organised corporate sector. Within Indian industry, Kirloskar is not just a pioneering industrialist, but an institution. In August last year when *BusinessWorld* commissioned a national opinion poll within the community of managers to determine the all-time greats of Indian industry, to be included in the *BW* Hall of Fame of Indian Industry (see cover feature, *BW* August 5-18, 1985), Kirloskar was one of the five selected. The other four: J.R.D. Tata, G.D. Birla, Walchand Hirachand and Ajit Haksar.

Certainly within the interior of Maharashtra — the most industrialised state in the country — the octogenarian Kirloskar commands a respect and admiration which borders on hero worship. Not without reason either. At the last enumeration made in 1984, the seven major companies in the Pune-based Kirloskar group had accumulated assets valued in the aggregate at Rs.362 crores; attained a combined sales turnover of Rs.490 crores and more significantly, provided direct gainful employment to an estimated 24,708 citizens in 1983. The multiplier effect in terms of the growth of ancillaries and employment generated in the interior of Maharashtra in particular by the Kirloskar group, which has an agro-industrial orientation, is incalculable but certainly significant.

In the circumstances, it is hardly surprising that there was a widespread outcry extending beyond corporate circles over Kirloskar's arrest and in particular over his brutal interrogation from 8 pm to 3 am on the night of 12th December by B.V. Kumar, director-general of the DRI. The Pune Municipal Corporation unanimously adopted a motion expressing its distress over Kirloskar's arrest and the callous manner in which he was interrogated. Even in the establishment press, which is hardly known for its comprehension of the business environment or for its sympathy for industry, the reaction was one of outrage.

BRUTAL BEHAVIOUR

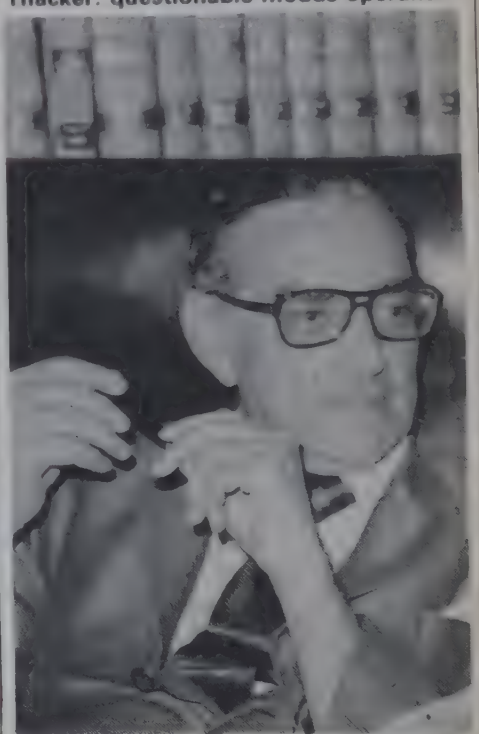
In a major edit page article dramatically entitled 'Terror in the Name of Law — Unworthy of a Civilised State' Girilal Jain, editor of the mass circulation (5.34 lakh copies per day) *The Times of India (TOI)*, condemned the raids, and in particular the *modus operandi* of the official raiders, in unequivocal terms. "Regardless of whether or not the charges are valid and can stand scrutiny, this behaviour is brutal, it is unworthy of a state which regards itself as being civilised and democratic. The intention is not just to detect and punish economic offences, it is to terrorise, and terrorise not only that particular individual, but a whole (i.e. the business) community," wrote Jain *(TOI,* 16th December 1985).

Though there is little evidence that the captains of industry are terror struck — most of them are cynically aware of the political calculations behind the tax raids — they are undoubtedly disappointed that even the avant garde Rajiv Gandhi administration has thought it fit to use big business as a populist whipping post.

"In an era of increasing cooperation and growing confidence between government and industry, I must stress that any measures that in any way are likely to hurt this spirit ought to be avoided. This does not mean that the normal processes of the law should be halted. But any action taken unless a good case has been built, is uncalled for. In a large number of cases the problem is one of interpretation of the law rather than of evasion of taxes. This is something for the law courts to decide and not the department of revenue. The effect of these raids has been depressing, to put it mildly," says D.N. Patodia (58), the New Delhi-based president of the Federation of Indian Chambers of Commerce and Industry (FICCI).

Adds Jaswant Thacker (66), president of the Bombay-based Indian Merchants' Chamber: "I don't think anyone can ever say that the government should

Thacker: questionable modus operandi



not take drastic steps to nab tax evaders and black-marketeers and mete out the punishment they deserve. However, what can be questioned is the *modus operandi* of such raids as we have heard of in the recent past, and the publicity they receive. Those who have been subjected to such raids have complained of harrassment and the denial of legal assistance. Why this glare of publicity even before a *prima facie* case is established or before the accused has had a chance to open his mouth in his defence? Such raids tend to have a demoralising effect and can only vitiate the otherwise production oriented atmosphere created by the recent innovative and encouraging policies of the Central government."

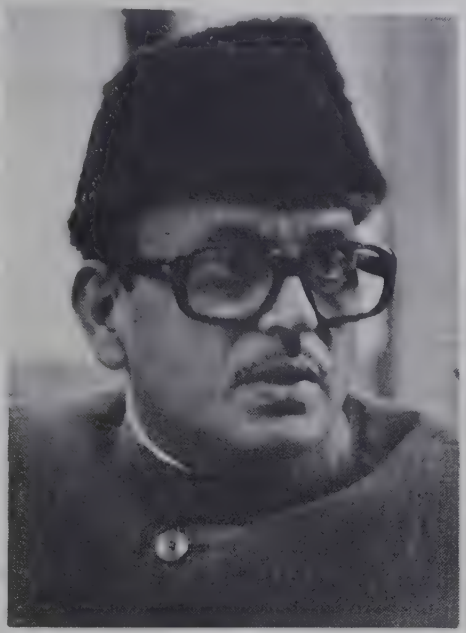
But though there is a widespread awareness that morale in industry is likely to be adversely affected in the short run by restoring the rule of law to the corporate sector, at the same time there is a general agreement that the consequent loss of production and revenue to the exchequer may be an acceptable price to pay. Recently, while attending the third anniversary lectures of the Calcutta-based daily *The Telegraph* on 17th January, Union finance minister V.P. Singh remarked amidst applause that "I will continue to be against the big business of tax evasion and for the big business of industrialisation."

SOCIETAL CONSENSUS

Though an attitudinal hangover from the populist seventies, there is a virtual consensus within society that Indian industry needs to be cleaned up. That there is as much of a consensus that politics and the bureaucracy also need to be cleaned up — and this societal consensus has in the main been ignored — does not dilute the general opinion that Indian commerce and industry require a thorough spring cleaning.

Yet, so pernicious has been the impact of the discretionary controls that have been imposed on production, pricing, imports, exports and often even on the geographical distribution of output within the organised sector in particular, that bribery and corruption in varying degrees have become a way of life in Indian industry. And over the years it has become politically expedient to heap the blame for the spread of the moral rot which characterises contemporary Indian society upon the men who manage Indian industry.

However, most perceptive monitors of the economy concede that the *neta-babu* or politician-bureaucrat combine, which has invested vast discretionary powers within members of this fraternity, is more culpable. Citing the ill-defined dogma of democratic socialism, this combine has legislated a bewildering array of highly discretionary laws and regulations to control and monitor industrial activity. The consequence has been that there are so many restrictions imposed on the managerial decision-making process that the speedy despatch of corporate business without transgressing one law or the other has become virtually impossible.



Singh: acceptable price



Bajaj: excessive regulation

"The restrictive attitudes and policies of the past three decades which have resulted in excessive regulation of the economy, have given rise to numerous legislative and regulatory measures which, with their conflicting provisions and differing interpretations, have made their strict observance quite difficult. These measures were evolved to deal with the situation of scarcity and at a time when industry was in its incipient stages. However, with the growth and development of industry, many of these regulations and controls have become outmoded and, in fact, a hindrance to industrial growth. Besides, bureaucratic regulations and procedures are inherently dilatory. Consequently, at a practical level it has become difficult to ensure their strict observance," argues Ramkrishna Bajaj (63), the patriarch of the business house of Bajaj (assets: Rs.384 crores; sales: Rs.483 crores in 1983) and a former president of FICCI.

SAD TRUTH

Yet, this argument that the business environment has been vitiated by ill-prepared and excessive legislation and regulation, is likely at best to be accepted as a plea in mitigation rather than as a defence. The sad truth is that over the last four decades, since socialistic controls were first imposed on industry, entrepreneurs and to a lesser extent professional managers in Indian industry, have devised innumerable ways and means to evade the payment of taxes and levies to the various collection agencies of the Central, state and municipal governments.

Among the more common of these fiddles: smuggling of finished goods and raw materials into the country to avoid the payment of custom duties; the smuggling out of manufacturing premises of finished goods and intermediates to avoid payment of excise duties; evasion of sales tax and octroi duties imposed by state governments and municipal authorities, usually in connivance with collection officials; and the misdeclaration of income for direct tax purposes.

The major consequence of the widespread evasion of taxes and levies imposed upon industry has been the growth of a parallel or underground economy in which, according to a confidential report of the World Bank, the income generated annually could well be equivalent to 50% of the gross domestic product (GDP). A less frightening but nevertheless shocking report of the National Institute of Public Finance and Policy (NIPFP) released on 25th June last year, estimated income generation in the parallel economy at between Rs. 31,584 crores-Rs.36,786 crores — equivalent to 18%-21% of the

Britannia Industries Limited



Mr. J.M. Rajan Pillai, Chairman

Highlights from the Chairman Speech

Britannia has had a particularly good year. Sales have increased by 21.4 percent over the previous year despite a slight, temporary set-back in Delhi in bread, and profit before tax has risen by 32.3 percent. Earnings per share on an annualised basis have moved up to Rs. 5.68 from Rs. 3.03 in the previous year.

There is a growing demand for specially and high quality products, made and packed in hygienic conditions, which only the organised sector can meet nationally.

Construction work on the Soya Project in Vidisha is proceeding satisfactorily; the major part of the imported equipment has already arrived at site and civil work is progressing according to schedule.

Speech delivered by Mr. J.M. Rajan Pillai, Chairman, Britannia Industries Limited, at the Annual General Meeting at Calcutta on 18th March 1986.

CHAIRMAN'S SPEECH

It is with great pleasure that I welcome you to the 67th Annual General Meeting of your Company.

The accounts for 1984/1985, covering a 17-month period ending 30th November, 1985, and the Director's Report have been in your hands for some time and you will have had an opportunity of going through them. Britannia has had a particularly good year. Sales have increased by 21.4 percent over the previous year despite a slight, temporary set-back in Delhi in bread, and profit before tax has risen by 32.3 percent. Earnings per share on an annualised basis have moved up to Rs. 5.68 from Rs. 3.03 in the previous year. The prospects for the current year are encouraging. Your Directors have, therefore, felt able to recommend a final dividend of 11 percent, which taken with the two interim dividends of 7 percent and 12 percent, make a total of 30 percent. This is equivalent to 21.2 percent on an annualised basis, compared with 18 percent paid last year.

For these excellent results, I am sure you will wish to join me in thanking and congratulating our Executive Vice-Chairman and Managing Director, Mr. R.K. Lal, and through him the Executive Directors, Managers and Employees at all levels for their successful efforts in getting a job well done.

It is now well over a year since that fateful day in October 1984, when Mrs. Indira Gandhi was assassinated. In this period, several developments have taken place which give us a sense of great reassurance in the basic stability of our country and its commitment to democratic values. I wish to pay tribute to our young Prime Minister, Mr. Rajiv Gandhi, for providing a smooth transition, as well as leadership and direction in taking this country forward.

Numerous measures introduced in recent months provide testimony to the Government's will to take the country forward and to bring about an improvement in the standard of living for a vast majority of our people. Growth with justice is a laudable goal and the seventh 5-Year Plan bears out these policy initiatives. Sadly, however, one observes some lag in the implementation of these eminently welcome policy announcements, as also, at times, a certain lack of consistency, particularly in the clearing of cobwebs of old bureaucratic procedures. For far too long have we, as a country, shackled ourselves with constraints. Many of these measures, while perhaps valid at the time of their introduction, have long out-lived their rationale and are increasingly rendering Indian industry uncompetitive internationally, and subjecting the domestic consumer to products of inferior quality at disproportionate prices. I am sure it is the Government's intention to correct this, and that it is only a matter of time before we see the results of the new thinking. It is certain that the new policy will be opening up new opportunities for companies like ours to contribute towards national growth.

My predecessor had drawn attention to the limitations placed by the Government on the development of our main activity, the production of biscuits and bread. I can only repeat that this constraint is not serving the consumer interest; also, in the long run it can adversely affect our economic viability. With improving living standards and rising consumer aspirations, I firmly believe that the development of the small-scale and organised sectors can take place side by side, without in

any way hurting the interests or the opportunities of small-scale units. In fact their products are different and their markets are different. There is a growing demand for speciality and high quality products, made and packed in hygienic conditions, which only the organised sector can meet nationally.

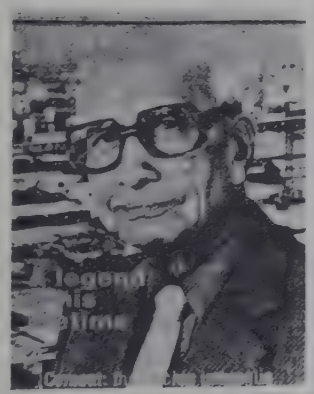
Moreover, the progress of Indian agriculture, particularly on the foodgrains front, has been extremely gratifying. From a period of shortages we have come into an era of surpluses. The need now is to encourage the utilisation of wheat and wheat-based products, and it is even more important that industrial policy should not be restrictive, but on the contrary, should encourage expansion. I hope that the Government will pay attention to this in the better interests of the economy, farmers and consumers.

Your Company continues to give very high priority to programmes of diversification and modernisation. You will be pleased to learn that the construction work on the Soya Project in Vidisha is proceeding satisfactorily; the major part of the imported equipment has already arrived at site and civil work is progressing according to schedule. Your Company is also looking into various other areas for diversification and expects to come up to you for approvals when concrete proposals are ready. You will see, Resolutions have been tabled for your approval to expand the Objects Clause of the Memorandum of Association, to enable the Company to undertake additional businesses, as and when suitable opportunities arise.

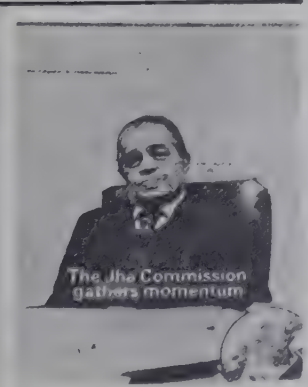
During the year there have been some changes in your Board: Mr. A.R. Pendry stepped down from the Chairmanship of the Company, and I have no doubt that all of you will wish to join me in acknowledging the contributions that he made during his tenure as Chairman. We are fortunate to have him continue with us on our Board to provide counsel and advice. Following my appointment as Chairman, Mr. R.K. Lal was appointed Executive Vice-Chairman in addition to his responsibilities as Managing Director of the Company. I also welcome Mr Y.M. Khirwadkar and Mr. J.C. Kharkar, who have taken charge of the Soya Division and Corporate Development, respectively. Both have had very successful careers. I take particular pleasure in welcoming Mr. H.F. Powell, President of International Nabisco Brands Inc. U.S.A. His presence on the Board will undoubtedly prove highly beneficial for your Company.

My colleagues and I thank you for your continuing support.

NOTE: This does not purport to be a report of the proceedings of the Annual General Meeting.





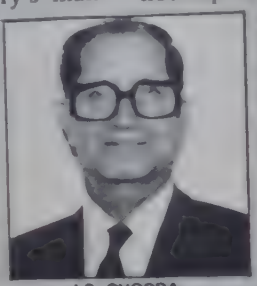


Which magazine has given you the finest contempo-rary business biographies?

BusinessWorld
There's a world of a difference

Minding manners abroad

Not a few monitors of the Indian economic scene subscribe to the view that a contributory cause of no mean significance to Indian industry's manifest inability to push India's export earnings beyond the Rs.11,000 crore barrier, is the poor negotiating skills and boorish manners of indigenous businessmen. According to some well travelled and more sophisticated members of this fraternity, hotel managements in several continents are terrified at the prospect of entertaining the custom of the majority of Indian businessmen and tourists who, allegedly, are noisy, terrorise women, get drunk easily and leave behind a trail of messy bathrooms. The poor manners of culturally assertive Indian businessmen apart, an often made charge against them is that they are insensitive to alien cultures and mores — a carelessness that loses the economy millions.


J.C. CHOPRA

BusinessWorld elicited the opinions of three knowledgeable and sophisticated individuals on the art of conducting negotiations with three of India's major business partners.

Doing business with America. Comments Harry Amory Cahill, a former marketing executive in American industry and currently consul general of the United States in Bombay:

■ Be honest. Say what you really mean.

■ Know exactly what you want. Be specific and to the point. Do your homework beforehand — learn about the American firm you will deal with and know what you wish to achieve, manufacture, distribute, etc.

■ Send information in writing on your planned visit at least a month in advance. Help your host by suggesting a time frame for meeting.


H.A. CAHILL

■ Don't be a name dropper. You are judged on what you know and on your own abilities, not on whom you know.

■ Carry a bank reference from your bank in India or elsewhere, showing the profile and strength of your company.

■ Bring individual success stories from India on Indo-US cooperation. Examples of "What worked for others" are always encouraging.

■ Wear a conservative coat and tie, which is always a good entree. If the host favours sports shirts you can shift to such attire for the next meeting. Don't worry about presenting gifts. It is not expected.

■ Know and explain the authorised financial procedures to help your host understand the intricacies of doing business in India.

■ Be sure to follow up. Too often, after a meeting one forgets to keep in touch and to report on forward progress.

■ Be adjustable, interested in experiencing a new culture. Don't collapse if Gujarati or South Indian food is not readily available. And relax! Americans truly enjoy meeting foreign guests.

Doing business in Eastern Europe. Comments Jagdish Chandra Chopra (54), senior vice president of Voltas Ltd., who has visited Eastern Europe and the Soviet Union nine times:

Dealing with foreign customers naturally requires a great deal of good manners, an understanding of the foreign country's customs and idiosyncracies plus the ability to negotiate. However, in the case of communist Eastern Europe one is dealing solely with government agencies which have large bureaucracies and state interference to contend with. Yet they can be very substantial buyers and the business is generally remunerative.


S. SAMUEL

The mere fact of travel restrictions, the lack of free communication and the absence of knowledge lends the exercise an air of mystery and challenge. It tends to mask the fact that one is dealing with very friendly people who both culturally as well as in terms of their sophistication are very close to us. Here is a set of do's and don'ts.

■ The first rule of the game is to have patience, patience and more patience. Decision making in the Eastern Bloc requires several clearances and is a slow process. The lack of immediate response must not be mistaken for a lack of interest or refusal.

■ Like us, people in these parts are neither very punctual nor strict about the management of time. You must have plenty of time on your hands on a visit to provide for delayed meetings, *ad hoc* negotiations, etc.

■ Entertainment and good food is appreciated but be sure to pick up the tab as state agencies have small budgets for entertainment except at very senior levels.

■ Business rarely extends to socialising at a personal level. Though well meaning, very often your counterpart cannot invite you home as the system discourages such contact.

■ People in the Eastern Bloc have their own complaints and grievances, but they do not ever discuss these in public. Nor do they display an ability to laugh at themselves in the presence of foreigners. One must be very sensitive and avoid criticising even at the risk of seeming hypocritical.

■ Be prepared for hard bargaining. It is customary, and extends over several meetings. However, once a deal is signed, there is never any default.

■ Written communication has to be strictly formal and correct as it is often subject to censorship and scrutiny. For the same reason, one must avoid getting too close to an individual.

Doing business with Japan. Here's some advice from S. Samuel (50), vice president (manufacturing) of Ceat Tyres of India Ltd., who has visited Japan six times during the last three years:

■ The Japanese are real sticklers for time, and punctuality is at a premium. You can't afford to be late.

■ The detailed itinerary and agenda should be fixed before you leave the country and the same should have been confirmed by the Japanese. They don't like last minute arrangements and last minute changes in programmes.

■ The Japanese conduct business discussions in groups and never individually.

■ They take business decisions only after much deliberation and do not make any on-the-spot decisions. You shouldn't try to rush them either.

■ It is common for them to interrupt business discussions to talk among themselves in Japanese, and they do not mind your doing the same in your own language.

■ The western handshake is quite well accepted although the Japanese feel pleased if you return their bow with a bow

■ The giving and receiving of business and personal gifts is given a lot of importance.
■ Familiarity with a few Japanese forms of greeting is much appreciated.
■ The Japanese are usually dressed in dark business suits and expect you to be formally attired as well.
■ Being generally soft spoken themselves, they are more attentive if you speak in soft and measured tones.
General. There are several other more basic norms and codes of conduct — the three gentlemen whose advice is cited above were too polite to mention them — which need to be observed to avoid giving offence. The consensus of opinion within several travel agency executives who have accompanied groups of Indian businessmen abroad is that the more important among them are:
■ Indians — particularly in groups — tend to be very noisy. Keep the decibel levels low at all times.
■ American and European women are not as easy as Hollywood would have you believe. Do not attempt to proposition them unless the come-hither signals are very obvious.
■ Take care to remain within the threshold limits of your drinking capacity.
■ The dignity of labour is respected abroad. Address hotel and other service staff politely.
■ At meal times resist the temptation to eat with your hands, and eat with your mouth firmly closed. Indian cultural traditions will survive such betrayal.
■ In hotels or if residing with friends, do not lounge in common areas in nightclothes or underclothing.
■ Ensure that bathrooms and lavatories are clean and dry after use. Avoid making loud gargling and expectorating sounds in the bathroom which could disturb others.

'The poor manners of culturally assertive Indians apart, an often made charge against them is that they are insensitive to alien cultures and mores – a carelessness that loses the economy millions'

ness community are as bad, if not worse, than its morals.

Within an economy of 'planned shortages' of most goods and services, the long suffering indigenous population has adjusted to the insolence of office that generally characterises Indian industry and society. With the demand for most manufactures and nationalised sector services far in excess of supply in this travesty of a centrally planned economy, indigenous consumers have learned to live with the phenomena of shoddy goods, unattended complaints, unanswered letters and telephone calls and poor after-sales service.

But as the trade gap widens in each passing year, and as India's export drive fails to gather momentum despite a plethora of (admittedly complex) incentives, it is becoming increasingly apparent that the amorality of Indian industry compounded with the boorishness of its managers is a major contributory factor. Tales of mismatches between samples and actual goods despatched to overseas markets are too numerous to recount. And though the subject receives surprisingly little press coverage in the indigenous media, the fact that Indian industry has acquired a reputation of being a vendor of downmarket shoddy goods backed by indifferent after-sales service and a long list of ingenious excuses for delayed deliveries, can hardly be disputed.

Quite obviously, the style of doing business in over-protected domestic markets in which competition is rare, dies hard. Little wonder that the value of Indian exports has stagnated at the Rs.11,000 crore level during the last three years even while the national import bill has risen from Rs.14,356 crores in 1982-83 to Rs.18,600 crores in fiscal 1985-86.

The poor image of Indian industry in overseas markets is further eroded by the boorish manners of the ugly Indian, be he a businessman or a tourist. Managers in indigenous travel agencies who organise package tours for Indian businessmen and middle class tourists have a bagful of horror stories to tell of loutish and insensitive behaviour of a majority of Indian businessmen. Such behaviour has often blown big deals worth millions and antagonised foreign businessmen. "Whether it is a question of negotiating a contract or eating a meal without making a mess, Indian businessmen going abroad to negotiate a deal exhibit a gross ignorance and insensitivity to the host population's culture and manners. And though it is impossible to compute the cost of such aberrations, they have undoubtedly cost this country millions in terms of lost contracts and opportunities," says a sophisticated and well-travelled senior executive of a Bombay-based travel agency who preferred to remain anonymous.

NO UNANIMITY

But despite the fear that hotel managements the world over reportedly entertain, of noisy Indian visitors who allegedly terrorise women, get drunk easily and leave behind a trail of messy bathrooms, there is no unanimity on the proposition that bad manners is a peculiarly Indian characteristic. "Manners are graces and graces differ from culture to culture. The problem of Indian businessmen perhaps is that they have not acquired the manners of the western powers," says Dr. Suma Chitnis, professor of sociology at the 50-year-old and highly rated Tata Institute of Social Sciences.

Nevertheless, Chitnis concedes that adherence to the basic code of acceptable behaviour of a foreign culture could help to swing a business deal. According to her, chambers of commerce, and the government through its trade missions abroad, could — and should — educate businessmen "about the manners and qualities required to become good international traders." Yet, 'good' manners are not vitally necessary if the product or service that a business sells abroad is of dependable quality, she argues.

"The Japanese image abroad is not good only because Japanese business are well-mannered. It is good because they honour their contracts and commitments scrupulously, deliver excellent products and back them up with prompt post-sales service. The infirmity of Indian industry is that it seldom entertains a pride in its products or entertains a sense of moral obligation to satisfy its customers. Most firms in Indian industry have a limited objective: to make a profit. These immature business practices make for bad international relations," says Chitnis.

Certainly Chitnis' argument that business morality, manners and success in competitive markets are interconnected phenomena, is valid. An industrial leadership which has been protected from external and internal competition for well over four decades undoubtedly exhibits the sins of complacency and even contempt for its *raison d'etre:* the customer. Likewise, the contempt its leaders exhibit towards the law of the land and in particular to paying its dues to the exchequer, has undoubtedly bred cynicism and created a crisis of morality within private sector industry. That a large number of



tnis: "...immature business practices make for bad international relations"

zens are still in favour of expanding manifestly inefficient public sector n indicator of the extent to which the orality and bad manners of the short-n profit obsessed private sector in-try has antagonised public opinion.

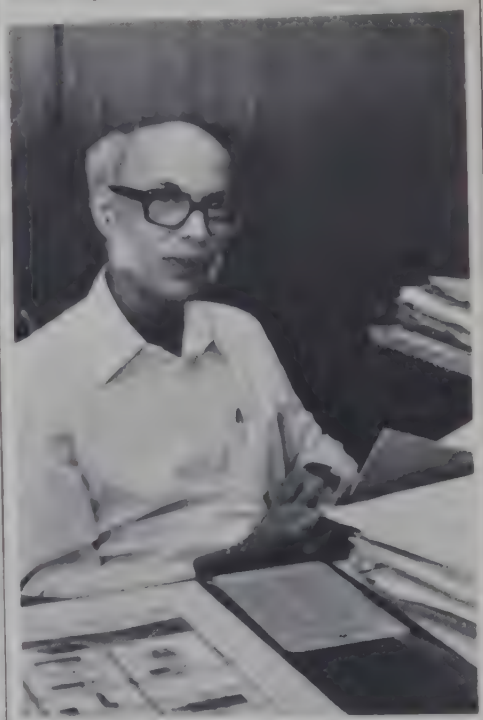
NOT IRRETRIEVABLE

But though Indian industry — and haps Indian society itself — is ex-iencing a crisis of morality which has en highlighted by the recent tax raids, consensus of informed opinion is t the situation is not irretrievable. ne must take care not to exaggerate dimensions of the so-called moral in Indian industry. I think it would true to say that in the organised sec- of industry in particular, there is nsiderable cleanliness. It is seldom rporate policy to flout laws and reg-ations relating to direct or indirect xes. In my opinion, the major cause of e corruption in Indian industry is the riodic demands for electoral funds ade by politicians. Industry has acted to the system, not created it," ys M.S. Patwardhan (58), managing rector of National Organics & Che-cals India Ltd.(sales: Rs.207.8 crores the year ended 31st December 1984). A widely respected commentator and iter on business and economic affairs d a former president of ASSOCHAM, e Cambridge (UK) educated Pa.varhan is of the opinion that like direct taxes, indirect taxes too need to be reduced to ensure better compliance. "High taxes, coupled with too many controls on industry and the demands made by the political leadership on industry for electoral funds have created a climate of corruption in all sectors of Indian society. Quite obviously, the habits formed over four decades cannot be obliterated overnight. Nevertheless I am persuaded that it is time to apply the rigour of the tax laws impartially to all segments of society, including film stars, politicians and bureaucrats apart from people in industry. The tax raids are necessary and will serve a useful social function provided they are preceded by sound homework,and speedy adjudication — perhaps through special tribunals — is ensured," says Patwardhan.

This viewpoint that the crisis of morality within Indian industry, which has been highlighted by the Union government's tax raids on Indian industry, is manageable, is also shared by Dr. K. R.S. Murthy quoted earlier."Indian industry is part of a sensitive and well-settled society which has always responded well to good leadership. And I have no doubt that good leaders will surface within the corporate sector and in society in general. Besides, the policy and market environment invariably shapes the character and behaviour of enterprises, and the emergence of a more competitive market environment is likely to improve morality in industry as well," says Murthy optimistically.

USEFUL PURPOSE

In the final analysis, the government's tax raids on industry, though they have caused considerable anguish and demoralisation within the corporate sector — in which they have perhaps unjustly besmirched many reputations — have nevertheless served a useful purpose. They have undoubtedly forced the leadership of Indian industry to take a long hard look in the mirror at its image, and have generated pressures to clean up.



Patwardhan: societal malaise

A 'good' leadership as envisaged by Murthy is undoubtedly surfacing in industry and is likely to exert a counter-pressure on government to clean up its own house as well. These factors, combined with the fact that a relatively cleaner and more principled new generation government, which has unshackled industry somewhat and created a more competitive business environment, has risen to power in New Delhi, are likely to resolve the crisis of morals and manners which has sapped Indian industry of its vitality.

Indeed,the tax raids, if their scope is expanded to cover all sectors of society and if their rough edges are smoothened out, could well mark a turning point for Indian industry and society in general.

BW

Trade fairs & symposia

P.V. SATYANARAYANA



This article, the seventh in the series on business information, attempts to highlight certain unconventional sources of business information such as trade fairs and symposia. These sources which constitute an important mode of information collection in the West are gradually gaining in acceptance in India. However, the very concept of trade fairs and specialised industrial exhibitions is relatively new to India and an organised effort in this direction has been seen only over the past eight to 10 years. Similarly, the convening of seminars and conferences, although in vogue since the past three to four decades in India, has been increasingly promoted as a business proposition only over the last decade.

A host of public and private organisations organise trade fairs and symposia in India. Such organisations include professional bodies, trade associations, educational institutions, private training organisations, government agencies, private trusts and companies. This article attempts to highlight a cross-section of such organisations, but the list is by no means exhaustive, due to space constraints.

BROAD PERSPECTIVE

Businessmen can often collect valuable information from trade fairs and symposia. By doing so they can, first of all, obtain a broad perspective of the industry and its products. In trade fairs, exhibitors generally put their products on display and distribute product literature.

Some organisations specialise in sponsoring trade fairs on specialised sectors of the industry and in simultaneously convening seminars associated with the theme of their exhibitions.

There are a few organisations in India which have specialised in organising trade fairs and specialised industrial exhibitions. In most cases, these organisations sponsor trade exhibitions but do not generally convene seminars associated with the theme of the exposition. However, there could be instances where individual participants in the trade fair would hold a seminar to publicise their technology or products. Prominent organisations convening specialised industrial exhibitions are discussed below.

■ **Trade Fair Authority of India (TFAI).** This organisation which is a division of the Union ministry of commerce is probably India's largest organiser of trade fairs. TFAI organises its exhibitions at the permanent exhibition complex at Pragati Maidan in New Delhi. TFAI sponsored exhibitions are generally very large and well patronised by industry. TFAI organises an average of six to seven specialised industrial exhibitions in a year besides a host of others on non-industrial topics and themes. One of TFAI's recent exhibitions was the Auto Expo '86 which has been considered an outstanding success. A studious visitor to Auto Expo '86 could easily obtain an overview of the state of India's automobile industry as well as the course of its future development.

■ **Trans Asian Trade Fairs and Expositions Pvt. Ltd.** This Bombay-based company is probably India's first private specialist trade fair organising company and sponsors an average of six exhibitions annually on various industries. Trans Asian generally organises its exhibitions in 5-star hotels and appears to be specialising in the exhibition of office equipment, consumer durables and interior decoration products. Though Trans Asian sponsored exhibitions are not fully representative of the particular industry being covered, they have managed to attract leading manufacturers in these industries. The efforts by this professional exhibition organising company have been commendable.

Several entrepreneurs, sensing the growing demand for organised exhibition services, have recently promoted exhibition organising companies especially in Bombay and New Delhi. It is understood that another three new exhibition organising companies have been promoted during the past year.

A few educational institutions, trade associations and professional bodies have also specialised in convening seminars and conferences on various sectors of industry. A few such organisations are discussed below:

■ The Indian Institutes of Management at Ahmedabad, Bangalore and Calcutta organise several seminars on various topics of interest to Indian industry. Such seminars are generally promoted as executive development programmes. While certain topics are extremely specialised in nature and would only interest the specialist in the field, certain general seminars are extremely useful to a general researcher as well. For instance, a seminar on marketing automotive components would be very useful to a researcher looking for in-depth information on the automotive components industry. The Indian Institute of Management sponsored seminars are often rich in content and include well-documented case studies.

■ The Institution of Engineers through its various branches sponsors seminars on subjects of technological interest. Normally these seminars are open only to its members, but in certain cases, non-members are allowed to participate at a slightly higher fee.

■ The Oil & Natural Gas Commission had recently convened a seminar to deliberate on the prospects of indigenising the supplies of capital equipment, components and consumables to India's petroleum drilling industry. Such a seminar would provide immense information to researchers looking for information on the petroleum industry and its supply requirements.

There are numerous other trade fairs and seminars convened throughout India. It is, however, beyond the scope of this article to provide a complete listing of such events. Businessmen would do well to keep a track of the activities of trade associations, research institutions and professional bodies pertaining to their field of activity and research.

Unfortunately, regular information on forthcoming trade fairs and seminars is not available in any comprehensive form from a single source. The only recource would be to keep track of advertisements appearing in the press. In the developed countries, there are specialised periodicals on trade fairs. Even some organisations such as British Airways publish an annual calender of trade fairs with international dimensions.

Interface with new shareholders

Prakash Tandon is perhaps India's most well-known and widely respected professional manager. In his career, which began when he joined Lever Bros., Bombay as a market research assistant in 1937, he attained many distinctions and was appointed the first chairman of Hindustan Lever (1961-68); chairman of the public sector State Trading Corporation (1968-72); chairman of the Punjab National Bank (1972-75); and director general of the National Council of Applied Economic Research (1975-80). Currently Tandon is the honorary president of NCAER.

Even while he was carving out a career as one of the most respected managers in Indian industry, Tandon found time to write a three volume autobiography, rich in social history and which is popularly known as the Punjab trilogy.

In the last extract taken from his book Return to Punjab, *we had featured Tandon's account of the Indo-China border conflict of 1962 and the end of the Nehru era. In the current extract, Tandon recounts the trials and tribulations of diluting the foreign shareholding of Hindustan Lever.*

On the first day of March 1962, I was flying back from Lucknow to Delhi with Aspi Moddie. The budget had customarily been presented on the evening of the last day of February. The headlines screamed. I read fast through the finance minister's preamble with an apprehension that built up to a crescendo as it came to the crunch, the new taxes. It was a tough budget that in the aftermath of the Chinese war raised large resources in one full swoop. I skipped the personal taxes, quite unconcerned about how it might affect one personally, and ran on to the corporate taxes, making mental calculations at a furious rate. All I could say audibly was, Oh no! The profitability of the business, built with such loving care through the year, my first full year, adding each week's figure to the last—it was all shattered; it lay in splinters, and I wondered what it would take ever to restore it. The answer seemed hopeless.

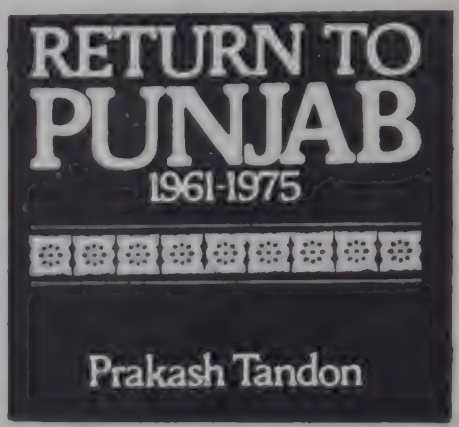
What Morarji Desai had imposed on personal taxation was probably a worse blow, but that seemed not to matter; what mattered was what happened to the company one was responsible for. My mind momentarily wandered back to the utter surprise of a shareholder at the last annual general meeting when he discovered that I (or the directors) did not own a single share in the company. "But what is your stake in the company, Mr. chairman, if you own nothing of it?" I now sadly recalled my answer—my professional pride in seeing the company and his interest in it prosper. I do not think he believed me, any more than did a minister I worked under some years later, that one could be devoted to an organisation, its growth and profitability, with a professionalism that excluded one's own interests.

As I grappled with figures and their impact, a horrible thought came, at first slowly and then in a blinding flash. The Rs. 35 as a rights value of the shares that I had fought so hard to get from government, and which we were now going to offer to the Indian shareholder, was now history, it was no longer fair nor relevant to charge it in the new circumstances. In fact, the stockmarket would take a dive and make its own judgement during the day and place a much lower value on the shares. Indeed, share values dropped, and precipitously; so that by the evening the stock exchange had to be closed.

At Palam I met Ravi Bhatt of the Unit Trust of India and asked him if he understood the full implication of the new surtax. He was not too sure but, always an optimist, he did not think it would be too bad. He was to prove wrong.

Back in my room at the Ashoka, which I had only left a day earlier feeling generally satisfied with life, I returned to the fray. Was growth, I thought to myself, for ever going to run against a strong headwind, when surely it should have had the wind behind it? Will one be fighting for it all the time? But there was no time to philosophise, and so Aspi and I began to figure out the future, and like after a flood or fire, one had to make a quick beginning somewhere.

We felt the first and the right thing was to immediately withdraw the rights offer so that the shareholders would be left in no doubt. We had many thousand small holders who had implicit trust in us, and if approached even now at Rs. 35, many would take up their rights at that price despite the changed circumstances, trusting us to have offered them good value. Many would not even read the market quotations, and even if they did, the uninitiated would think we were expecting our shares to rise, and therefore offering them not a bad deal.



We then poured over a long coded cable to Unilever stating our views, and sent it off.

London reacted quickly and well. There was no delegation flying over this time; instead, in a long distance call Robert Siddons said they were as shocked as I was, and would I come over to London to discuss. They were not agreeable to my suggestion to withdraw the offer, since it would look a weakness on our part, both in the eyes of the government and the shareholders, as if we were losing faith and courage. I was satisfied that at least on this occasion they were asking me to put on my hat and coat and fly over!

All right, I told Robert, I would be over next week, as soon as I had worked out the implications of a new plan, and sounded New Delhi. Back I went to L.K. Jha and placed my views before him. To go to the market with Rs.35 under these circumstances would be immoral. We must withdraw it and thereafter we would return with a new plan as soon as things settled down. In the meantime, we would like to clearly state our intention to go ahead with the core of our expansion plans, though in a phased manner.

Jha liked the idea; and I assured him in a letter the same day that we had hope and faith that despite the burdens arising out of the emergency and new taxation, we could press on with our plans to show trust in government and

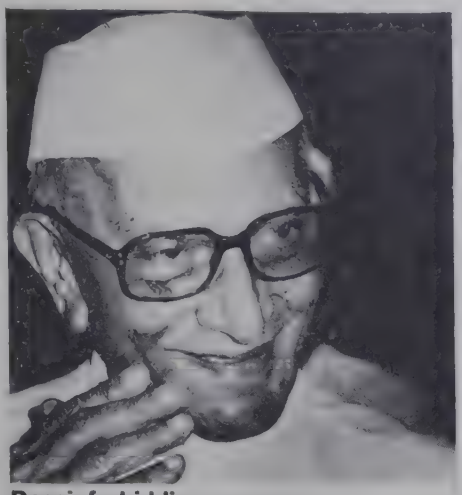
the economy. We would go right ahead when many were understandably hesitating. He also liked the financial arrangements I suggested. In principle he was agreeable; but of course he had government to consult and I had Unilever. In my heart I forgave the system for my past experience of it; even blessed it for such decisiveness.

I took the midnight Air-India to London where there was more than the usual driver with the Unilever placard in his hand waiting at the exit of the air terminal; there was a young man who wondered if I could go straight to Unilever House for a meeting they had fixed for 11 o'clock. It was now half past nine After a night flight of 14 hours, the idea of meeting straightaway was sensible. I could get the preliminary round over with, and sleep the evening and night through. Through that day I realised that whatever my intellectual ability for a top position, my capacity to take strain, physical and mental, at least was a qualification of some order.

.As it was, I felt more and more alert as the day progressed and we decided to talk things through, so that I could see the special committee of the two chairmen, George Cole and Frits Temple, and the vice chairman, Ernest Woodruffe, the next day, and leave the day after. Andrew Knox, chairman of the overseas committee, with a personal knowledge of India extending over 40 years, agreed that we must go ahead, but he was sad at the turn things had taken. "It can only create more problems for you," he added wisely. "You are over-reacting, and maybe you should not oblige the Chinese by acting this way. Anyway I am sure the special committee will accept your proposals, particularly as you have cut out the frills and dropped some of the projects like buying a biscuit company."

If Frits Temple had expected all this when he questioned Lord Heyworth's judgement seven years ago, at least he did not say, "I told you so." Lord Cole was anxious to go ahead; compared with some on his old African beat, this was still reason. If Unilever had any reservations about going ahead exactly as was originally planned, something in my earnestness to find a way that suited both Hindustan Lever and government must have made them withdraw these. Jasper Knight was silent this time while I was vocal and insistent.

I left the next day on one of those midday flights from London where the plane raced away from a sunny Europe into the night in the east. In early March



Desai: forbidding presence

the days were still short, and by the time we had lunch, heading for the first eastern stop, it was already dark.

I felt sad this time at leaving Europe, which after its difficult early post-war years was now in a state of great vitality and growth. I had never seen it with so much confidence; a long way from the Europe of the great depression, Europe sliding into a war it did not want to fight but could not avoid; Europe after the war still in a state of trauma. Now it bustled with healthy activity, with its back hopefully forever turned to wars, and coalescing instead into a common market. It was in an exhilarating mood of expansion, and affluence, whose ill effects had not hit it yet.

While we too not long ago had been full of optimism and expansion, we were now suddenly, after the Chinese "incident," as it was by now called, in a "Johar" mood of economic policy. Now should have been the time to build eagerly, freely, confidently; instead of pilling up new restrictions, quotas, cutbacks and throwing ashes in our hair. Europeans, the victorious, the vanquished and the neutrals alike were hitching their wagons to racing stars, while we were digging into earth instead of building towards the sky.

The Nehru era's early confidence now gave way to gloom; and he himself must have felt distraught and confused. The only one who looked confident and purposeful in the midst of all this was Morarji Desai. He had his brief, and as a man upright, austere, severe and with a streak of the self-righteous, he went through the process with the visible satisfaction of "It hurts me more than it hurts you boy." "Later, Nehru blamed me; but this was his brief to me, and I did it. Why could he not have told me otherwise," he said some years later when he was out of power.

In Delhi on my next visit, Aspi said there had been new trouble. Someone had twitted Morarji Desai in Parliament that as an instance of the havoc his budget had caused, the chairman of Hindustan Lever had dashed off to London to tell his principals to drop all expansion plans. When I went to see L.K. Jha he said, yes. Morarji Desai had misunderstood the purpose of my visit to Unilever in London to persuade them not to proceed with the rights issue. He thought, as someone challenged him in Parliament, that I had gone to ask Unilever to withdraw all plans for growth and expansion in India. I decided to see Morarji, and asked Jha if he would mind my telling the minister that I had seen him and he had agreed with my plans. Jha said, he would not mind.

Morarji's personal secretary, Tonpe, one of the kindest, mildest of men, with long and great loyalty to his chief, saw my predicament and arranged a meeting at practically no notice. He said I could have precisely the time it took Morarji to go in his car from his office in Parliament to the Congress House where he had a meeting; and as Morarji got into the car, Tonpe hustled me into it.Morarji sat in a corner,withdrawn into himself, engrossed in his file. Never had I felt anyone so remote a mere foot away.

"Yes, what have you to say."

"I will wait, sir, till you have read your papers."

"No, I can do both, read and listen to you. Go ahead."

It was a disconcerting experience to talk to such a forbidding presence; if in its remoteness it could be called a presence. His face had a granite calm and his voice was cold and resonant. There was something compelling. You could not but help admiring him at least for being all of a piece.

"I came to see you because I believe there was some misunderstanding about the moves I made..." I began.

"No, there is no misunderstanding about it. You are entitled to act as you think best, but don't come to me for anything. I will have nothing to do with it."

I persevered.

"But this is exactly the misunderstanding. You have a feeling that I have acted wrongly. If you knew the position correctly, you would not think so. What I did was the right and the only possible decision in the interest of our Indian shareholders. I have discussed the matter with your secretary and he agrees with me."

He suddenly turned away from his file and looked at me with the first

flicker of interest.

"Oh, you have spoken to Jha, and he thinks yours was the right step?"

"Yes, sir, he would be glad to explain it to you."

Morarji's reputation for being inflexible had also admitted his administrative fairness, and those who had served under him had always spoken highly of his decisive and trusting supportive nature. To one who had never met him before, this was not visible in a flash. The car reached his destination, and as I left him, he almost smiled. He said that he would have a word with the secretary. I gave myself a 60-40 chance, because although he had heard me, he was not known to change his mind easily. I decided to leave it all alone and await results. A couple of days later, I was at a farewell party at our vice chairman Jim Davies' flat, when there was a call from New Delhi.

"Prakashji, this is Aspi here; I thought I would mention to you that I have got an appointment with Morarji Desai tomorrow to follow up our case and see if I can clinch it. Do you mind? I think I can manage it."

This shook me, since it was quite contrary to my intention of leaving Morarji alone, in case he felt I was pressurising him. Moddie's quick follow-up might irritate him; and yet I could not say no at this stage. He sounded so rearing to go, and I did not want to hold him back. I had to decide quickly.

"Yes, Aspi, by all means—and good luck. I am sure he will listen to you."

A triumphant telex came from Aspi the next evening saying it was all settled; we could go right ahead. I was glad it was all settled; more glad that Aspi had done it. That night I slept long; in fact good sleep was becoming a habit with me as stress mounted. Next day, as I took stock of things, what a victory, I thought, to be allowed to grow!

My day of the final test came when I had to put it to the shareholders for approval at a special meeting. We had expected a stormy meeting, but never so stormy as it turned out to be. Our new building, Hindustan Lever House, had its own auditorium, which was packed to overflowing, and in the front row were all the familiar faces of the professional shareholders, who went from one meeting to another. They were mostly old Parsis with a few Gujaratis to whom this was an occupation in an otherwise dull retirement. At most places they had a big tea, at some a gift or a gift coupon of the company's products.

There was one among them who was always against every thing we did, and I had to be very careful with him. He could hit out at any level that suited him, and many a great chairman had fallen a victim to his ingenious, well-timed blows. We had crossed swords before, but fortune had not favoured him; especially on the occasion when he complained to the local Company Law Board that he had asked me a very reasonable question which I had most unreasonably ignored.

There was tension abroad, and as I walked up to the dais and looked at the familiar faces in the front row and bowed to them, their smiles in return were wan. Speech followed speech, each battering on the criticism of the one before. Some old Parsis waxed eloquent and their refrain was, how dared this foreign firm have such disregard for India, today when the empire no longer existed and Britain ruled neither the waves nor India; how had they dared first to exploit India and then mulct the shareholders—such treatment of the poor, underdeveloped and down-trodden was ugly imperialism and a new economical exploitation. And so the speeches went on.

Only two persons were silent, my special shareholder and I. I said I was in no hurry and would like everyone to have his say, at any length he liked, because the subject was so important that I did not want discussion curbed. Eventually, after many had spoken twice and thrice, they demanded that I answer. I turned to our shareholder and suggested that surely he also had something to say. He said, no, he would rather hear me reply to what had already been asked. The general strength of their feelings, in his opinion, must have registered well enough on me by now. This brought great applause. Without saying much he had said enough.

I felt it ironical that at last having persuaded first Jasper Knight and Unilever, and then government and my friend the controller of capital issues, and last Morarji Desai, I had now to face the shareholders' suspicion. How isolated one can be! Unilever felt that I had let them down; Morarji felt I had let down the national cause in an emergency; the shareholders made no bones about my joining Unilever's "exploitation."

Unilever had of course sent me the proxy if I had to decide by putting it to a vote; but this was what I dreaded most. Failing to convince the 300 shareholders present, having them unanimously voting against the resolution, and then to call for a poll and use the brute strength of the 90% to carry the resolution and the day, seemed wrong.

I got up on my feet of lead and began to explain that Unilever had made their own gesture; they had not taken up their due share of rights, but they did not see why the other shareholders should not pay a fair price, especially at this juncture, so that the money received would strengthen the general reserves of Hindustan Lever in which they too had a stake. In fact, it would be improper for the present shareholders to deprive the future shareholders of a fair price and accretion to reserves in their own selfish interest. The gain belonged to the company and not just to those who happened to be the shareholders today; a company was in perpetuity.

I went on to explain the whole record of Hindustan Lever, an enviable one of growth and fairness. We the board members had voluntarily refrained from ever buying any shares because our inside knowledge would place us at an advantage over the shareholders, which we did not consider fair. With this record of company's behaviour and performance, how could one be so misunderstood!

I ended by saying that if today they were paying a few rupees extra, they would gain that and much more through future return on an asset so greatly expanded and strengthened. I was confident of our future and their share in it. In the end, after four hours of discussion, I appealed to them to combine their strength to support the management and not to mistrust it. I then put to a vote the motion to make the rights issue at the price fixed by government, though the shareholders had thought it high.

There was complete unanimity, except for "the" shareholder who alone refrained; and while normally many don't bother to raise their hands, tonight a forest of hands went up, when I asked—"for." As I walked out of the hall, an old Scotsman, who was the head of our firm of solicitors, came up to me and said very kindly—"Today, the mantle of that great chairman of Bombay, Sir Purshotamdas Thakurdas, should fall on your shoulders." I felt touched but embarrassed, because I felt I had really pulled out all the stops.

Feedback blockades

WALTER E. VIEIRA



One of the biggest bug-bears of effective communications today, both in the private and government sectors, is the problem posed by unavailability or poor quality of feedback.

Corporate executives and government officials talk glibly about the need for communication; for two-way communication; for mastering the art of public speaking; for learning the art of listening; for clarity in writing; for understanding nonverbal communication; and finally, they also talk about the communication gap. However, little is being done to bridge this gap through making up for deficiencies in feedback.

Charlotte Kursh, a noted communications theorist, has said that "an ailment called lack of communication has taken the place of original sin as an explanation for the ills of the world; while better communication is trotted out on every occasion as a universal panacea." Experience indicates that this may well be true. And the 'feedback blockade' may well be the major cause of this ailment. People talk, but do not wait to hear the answer. People act, but do not wait to see the reaction. People implement, but do not wait to see what finally happens. It is a daily repetition of the opening sentence of Bacon's famous essay on truth: "'What is Truth?' said jesting Pilate and would not wait for an answer!"

The failure to gather or evaluate feedback is patently evident in many marketing companies. These companies may be willing to spend Rs. 50 lakhs on an advertising campaign—but they will be reluctant to spend even Rs. 50,000 on an advertising audit to check whether the target group was reached, whether it read and comprehended the message and remembered its contents and whether, as a consequence, it was tempted to buy the product or service advertised.

WASTED TIME

A typical example of how the lack of feedback can result in wasted time and money is afforded by a consumer durables manufacturing company which had purchased space on 10 advertisement hoardings in Bombay. Two of them were sited on the road where the managing director lived. Four were on the roads leading from his residence to the golf course; and another two on the way from his residence to the factory. The managing director was very impressed with the exposure the company's product was getting. Had he adopted the tactics of the caliph of Baghdad and sounded public opinion, he would have been greatly disappointed—because then he would have known the real situation, and he would not have been misled by a 'put up' demonstration for him. His was a problem of a feedback blockade and in the process, both the product and the company suffered in the marketplace.

It is generally known that the larger the organisation, the further it distances itself from the realities of the marketplace. And since the only permanent feature of the marketplace is change, no one can presume that since he had once made a study of the market, the results still hold. They may. But more likely, they may not. Information seldom remains constant, specially when it is related to human beings who have changing tastes, fashions, preferences, thoughts and value systems.

The major causes of feedback blockades in corporate organisations can be listed:

(1) The growth of business into large, unwieldy organisations. The larger the organisation, the further its senior management is distanced from the final consumer. What the consumer feels, thinks and says, seldom finds its way back to the organisation chief because the intermediate linkages are too many and the chain is too long.

(2) Changes in meaning and interpretation which occur in the transmission of a message through so many linkages. Each transmitter adds his own colour and perception and passes the message on. By the time the original message reaches the final receiver, it may have undergone so many mutations that it is wholly different from the original message.

(3) The senior management is not inclined to take the time and trouble to get first hand experience even occasionally, and seldom tries to get the feel of the marketplace in a direct manner. When managing directors go into the market to meet retailers with their salesmen, they do so with fanfare, and thus are never able to assess the real situation.

(4) There is a reluctance to apply the ombudsman system to study real situations, because the ombudsman is perceived as a kind of spy—which is not true. A corporate ombudsman would be able to bring back to top management a real, unbiased and uncoloured view of down-on-the-ground realities so that managers of a company would become 'aware.' The ombudsman should be looked upon as a kind of market auditor, rather than as a person hired to snoop around.

Feedback blockades explain why so many seemingly simple systems go wrong, and why others function sub-optimally. Surely it is possible to institute a simple control system so that taxi drivers at every airport don't try to squeeze 'some extra' from a weary traveller? But the higher ups don't know this, because they have their cars waiting for them! They never travel by taxi.

All too often, the time spent checking in at the airport and collecting baggage is more than the flying time, but senior managers in industry or government have others to check in for them or collect their baggage. There is no feedback.

A citizen needs to take a half day off to pay an electricity bill at the BEST (Bombay Electric Supply & Transport Undertaking) booth or water charges at the BMC (Bombay Municipal Corporation) office. But the top managers of BEST will never know this because their peons or personal retainers do this for them.

UP IN SMOKE

Try buying a long distance railway ticket—or worse, try cancelling a railway ticket and getting a refund. Going from counter to counter, standing in one long queue after another, a half day's work goes up in smoke. Or try getting a registration for sales tax payment, where the peon will want to sell an application form which should be given free!

All these are simple problems, which require simple solutions. But they are never noticed by those who can take decisions and have the authority to set things right, because in most organisations the top management is ensconced in ivory towers. These managers rest secure on their laurels, isolated and protected from the uncomfortable reality of the marketplace by feedback blockades. As the Indian economy enters a more dynamic and more competitive era there is an urgent need for physical and mental "listening."

Textiles: time to grasp the nettle

By BINU S. THOMAS

Despite almost a year having elapsed since it announced its new textile policy on 6th June 1985, the Union government has yet to implement the major provisions of the policy. In the meanwhile, the deep-rooted problems of the country's oldest and most labour-intensive industry are snowballing.

One of the patently obvious features of the complex, confusing and ill-thought out budget proposals for 1986-87 presented to Parliament on 28th February — which has flummoxed economists, tax pundits and managers in Indian industry — is that it has little to offer by way of duty reliefs to the sickness-ridden textile industry. On the contrary, the additional levies proposed in the budget are expected to deepen the crisis in the country's oldest, largest and most labour-intensive industry.

For example, Union finance minister V.P. Singh's decision to hike the customs duty on machinery imports by 10% is expected to further impede the modernisation of the country's largely obsolete textile industry. On the other hand, the concessions accorded to the industry in the budget proposals are at best marginal — the primary objective being that of raising additional revenue from this already heavily taxed industry. For instance, the exemption of polyester blended yarn supplied to handloom units from excise duty is expected to cost the exchequer only Rs. 20 lakhs annually by way of loss of revenue. But this loss is more than offset by the Rs. 2.50 per metre increase in the excise duty on cloth costing more than Rs. 50 per metre, which is expected to add Rs. 18 crores to the national kitty during the current financial year.

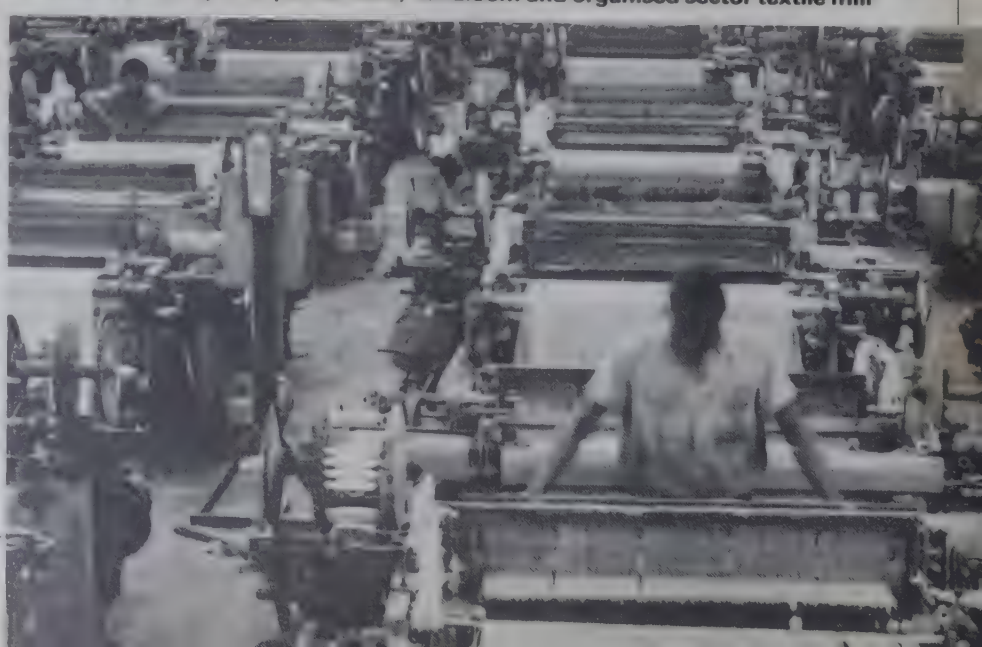
Such instances of robbing an already ailing Peter to pay Paul is characteristic of the government, which must share a large portion of the blame for the worsening condition of the textile industry. Ever since it partitioned the industry into the mill, powerloom and handloom sectors in 1951, the Union government has indiscriminately wielded the controls stick to 'protect' the handloom sector from competition from the organised sector textile mills. But in doing so, the government has driven organised sector textile mills — which employ 1.2 million citizens — deep into the red, while it has been able to do precious little to improve the lot of the country's 10 million handloom weavers.

The only beneficiaries of the textile 'policy' of the past four decades have been the powerloom owners. Capitalising on the weakness of the mill and handloom sectors they have flooded the marketplace with reasonable quality fabrics at competitive prices, thereby accentuating the problems of the mill and handloom sectors.

However, after more than four decades of messing about with the industry, the Union government finally showed



Clockwise from top left: powerloom, handloom and organised sector textile mill



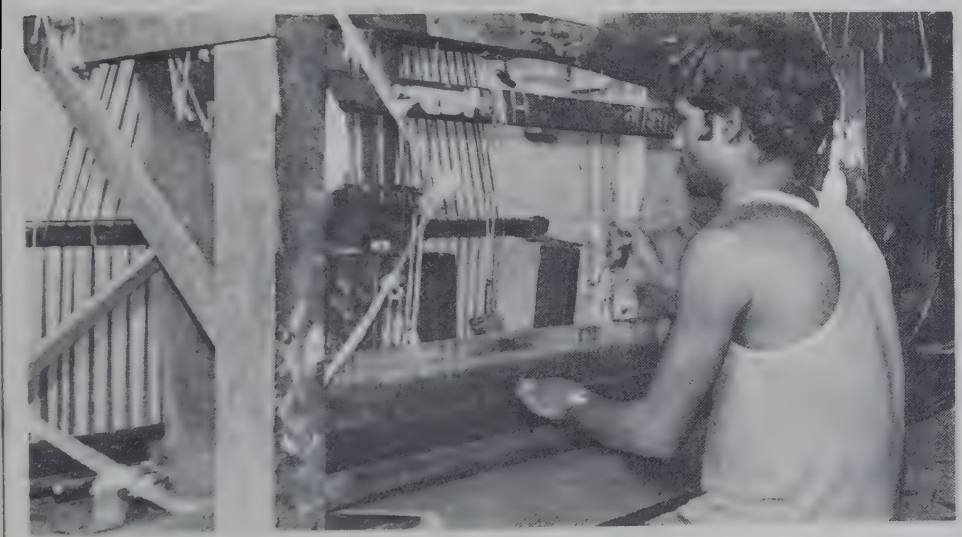
BusinessWorld
March 31—April 13, 1986

some understanding of the gravity of its problems when on 6th June 1985, it announced a 'new look' textile policy. The policy, which has several redeeming features, represents a statement of the government's intention to remove the controls hitherto imposed on the mill sector, upgrade the status of handloom weavers, and control the runaway growth of the powerloom sector.

In the light of these objectives, the new policy *inter alia* abolished the sectoral classification (i.e. mills, powerlooms and handlooms) within the industry and introduced a functional classification (*viz.* spinning, weaving and processing); removed controls on the use of synthetic fibres in each sector and recognised the need for rapid modernisation. And having correctly diagnosed the fundamental problem of the industry to be that of paucity of demand caused by the onerous cascading effect of indirect taxes the industry was heir to, the new policy pledged to reduce the heavy imposts levied on the industry.

Yet, nine months after the announcement of the brave new textile policy, there are few signs of a revival in the chronically sick mill sector where the situation seems to have actually worsened. Thus the number of mill closures, which stood at 70 in June 1985 when the new policy was announced, increased to 78 in January 1986. In addition, at least another 130 mills are on the verge of closure, while in the case of the majority of the remaining 747 mills which comprise the organised sector of the textile industry, the writing on the wall makes depressing reading.

Meanwhile, in the unorganised, i.e. the powerloom and handloom sectors, although the problems are not quite as acute as in the case of the mill sector, they are — particularly in the case of handlooms — disquieting. In December 1985, an estimated 60% of the one million powerloom units in the country were reported to be idle. This was consequent upon both the rationalisation of excise duties which raised the prices of powerloom cloth to almost the same level as mill cloth, and tax raids conducted against powerloom units particularly in Surat. And although many of these closed units have since resumed operations, the government's recent excise duty reliefs on polyester staple fibre (which is used by the mills), even while retaining the high duty structure on polyester filament yarn (which is primarily purchased by powerloom units), has hurt the powerloom units to some extent.





UNVIABLE MAJORITY

Yet, among the hardest hit by the rapid growth of powerlooms and unimaginative government policies have been the weavers in the decentralised handloom sector. Currently, an estimated 8 lakh handloom units, equivalent to almost 20% of the total number of handloom units in the country, are lying idle. In the case of the rest, the great majority of them are unviable as they are incapable of producing quality fabrics and are badly in need of modernisation.

Thus, when viewed collectively, the textile industry's future is hanging by the proverbial thread and should this snap, the implications are too horrendous to even speculate. For apart from the fact that the textile industry — including the fibre, yarn and cotton manufacturing and processing units — is the second largest (after oil and petroleum products) contributor to the national exchequer among all industries in the country, it is also, more importantly, a source of livelihood for almost 10% of the gainfully employed population.

Indeed, the textile industry is the largest employer outside the agriculture sector and an estimated 14 million people are employed directly in both the organised and unorganised sectors of the industry. Those employed in this industry, together with their dependants, could well constitute 10% of the country's total population.

Besides, the livelihood of at least an equally large number of citizens including yarn merchants, cloth wholesalers, retailers, cotton cultivators, etc., and their families is also dependant on the viability of this industry. Thus the economic health (or more appropriately, in the present context, its ill health), has a tremendous multiplier effect on the living standards of a very large segment of the population and thereby on the economy as well.

However, even such overwhelming evidence of the importance of the industry has not compelled the Union government to take firm measures to set right the wrongs plaguing it, which are

Changing profile of the textile industry

Sector	Units	1951	1961	1971	1981	1985*
Textile mill	nos.	378	479	664	723	955
Spindles in mill sector	millions	11.00	13.66	17.89	21.78	24.42
Looms in mill sector	000's	195	199	208	210	210
Powerloom**	000's	24	160	221	599	650
Handloom	000's	2,253	2,989	3,328	3,882	4,000

* estimates ** authorised powerlooms

Source: Handbook of Statistics on the Cotton Textile Industry, ICMF, Bombay – 18th edition
Economic Times (23rd May 1981, 29th August 1983)
Powerloom Enquiry Committee Report 1964
Shivraman Committee report 1964

primarily of its (government's) own creation. Presumably because of electoral considerations, given the large number of voters in this labour-intensive industry, successive administrations in New Delhi have taken refuge in soft options. This is demonstrated by the minor duty adjustments relating to textiles proposed in the 1986-87 budget. Once again the government has failed to address the major problems bedevilling the industry. Consequently, clothing, which is one of the three basic necessities of life, has been turned into a luxury in this country and this is reflected in the drop in per capita cloth consumption from 16.8 metres in 1964 to an estimated 15 metres in 1985.

PALTRY FIGURE

Particularly galling is the Union government's persistence in classifying synthetic textiles as luxuries and taxing them accordingly. The world over, synthetic textiles, given their long lasting and easy to wear properties, have gained wide popular acceptance. For instance, in Taiwan, the US and South Korea, synthetic and blended fabrics accounted for 63%, 70% and 80% respectively of all cloth produced in these countries during 1983. At the same time, the corresponding figure for India was a paltry 25%.

Not that Indian citizens' sartorial preferences are markedly different. But polyester filament yarn (PFY), for instance, which costs around Rs. 22 per kg in Taiwan or South Korea, costs Rs. 166 a kg — or over 650% more — in India. Consequently, the fabric woven from this yarn, which is vastly superior to its cotton counterpart, is of a necessity priced beyond the reach of the masses.

"The government will ultimately have to take the hard decision of making polyester filament yarn and polyester staple fibre cheaper. Once this decision is taken, it will help revive the demand for cloth and enable the industry in the long term to overcome its crisis," says Kantikumar R. Podar (50), chairman of the Bombay-based Indian Cotton Mills' Federation, an apex body which represents the organised or mill sector of the textile industry.

Indeed, the long-term future of the textile industry in the country depends more on the reduction of the crushing imposts levied by the government on it than on any other single factor. The importance of lowering textile prices can be gauged from the figures compiled by the market research wing of the government appointed textiles committee, which indicate that 81% of the offtake of textiles in the country is by families with monthly incomes of less than Rs. 1,700.

Subsequent to the announcement of the new textile policy on 6th June 1985, the government did in fact grant some duty reliefs to the industry, but this magnanimity proved to be shortlived. On 28th August 1985, in keeping with the objectives of its new textile policy, the Union government announced a sharp reduction in the excise duties payable by synthetic fibre, yarn and cloth manufacturing units. At one stroke it accorded the industry duty reliefs aggregating to Rs. 131 crores, or about 8% of the Rs. 1,653 crores budgeted to be collected from the textile industry during fiscal 1985-86 as excise duty.

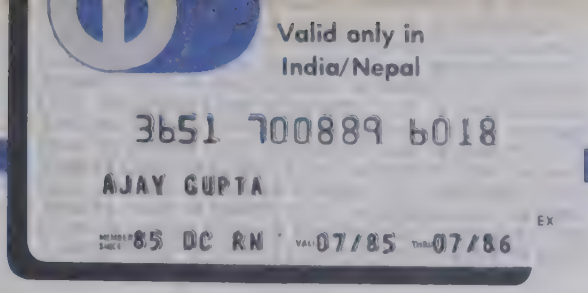
But on 30th September, the government — reportedly to favour a textile baron — abruptly hiked customs duties on purified terephatalic acid (PTA) and di-methyl terephatalate (DMT) from 140% *ad valorem* to 190%. PTA and DMT are vital intermediates used in the manufacture of synthetic fibre and yarn. In 1984-85, synthetic yarn and fibre manufacturers imported 17,973 tonnes of PTA and 17,632 tonnes of DMT, equivalent to 100% and 40% respectively of indigenous effective demand. This to a significant extent diluted the benefits accruing from the reduction of excise duties a month earlier.

FIERCE COMPETITION

In the circumstances, it would not be quite fair to blame mill sector managers for the high price of their fabrics. Indeed, given the fierce competition from

Podar: demand revival dependent on cheaper synthetic yarn and fibre





"...great trip abroad.
Got special discounts at hotels.
JUST FLASHED MY DINERS CARD!"



When you're travelling abroad, every bit of your foreign exchange counts. So what you save on your hotel bills, you can spend on something else. Showing your Indian Diners Club Card when you pay your hotel bill gets you a discount, that varies depending on the hotel from 10% to 40%. Which is quite a saving!

Pays for itself many times over—more value-for-money than money:

- Buys your air tickets. Gets you free flight insurance of Rs 1 lakh automatically
- Secure against loss or theft
- Eliminates commission on Citicorp Traveller Cheques bought from Citibank branches
- Gives you a Consolidated Statement of Acco every month. And of course you get your charge slip and bill at the member establishment

DINERS CLUB INTERNATIONAL

Diners Club India Private Limite
Raheja Chambers, 213 Nariman Po
Bombay 400 021 Tel 244949

would like to be a member of Diners Club and enclose my cheque for Rs. 900 towards Entrance Fe... Subscriptio

NAME

ADDRESS

SIGNATURE

THE DINERS CLUB CARD—YEARS AHEAD OF CASH

LINTAS DC 109 2720 BSW


GCEL

Wherever you can't go, your voice can.

And whoever you may be. Instant telecommunication links you with the rest of the world. From any remote corner of the country.

Telecommunication. Making boundaries disappear and shrinking the wide world to size. Manageable, friendlier and beneficial.

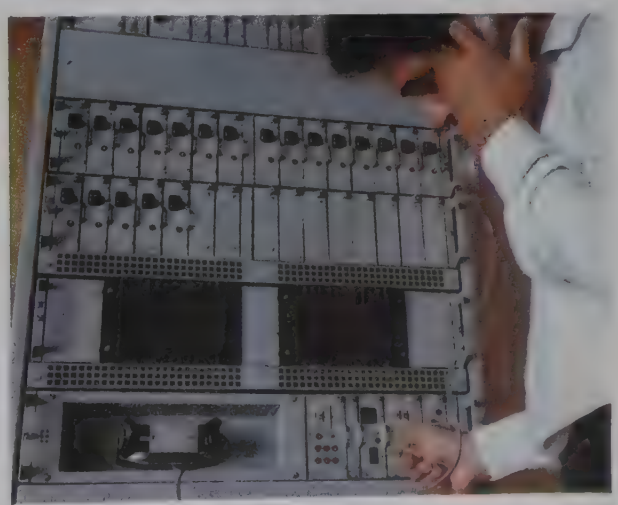
In every sphere of growth. From Economy to Defence. And at GCEL, we believe growth begins from communication. And in the field of communication, GCEL's growth has helped India grow more accessible. Within and beyond.

GCEL's Communication Equipment

At GCEL, the communication equipment range is as wide as the country's needs. From the basic telephone instrument to state-of-the-art static and mobile satellite communication terminals. Designed and developed to meet specific needs. Like UHF Radio Relay Equipment. Upto 120 channels. Multi Access Radio Telephone Equipment (MART). Upto 6 VHF channels. Installed in several parts of the country on turnkey basis. Because at GCEL, we mould and shape technology.

The Better Technology of GCEL

At Gujarat Communications and Electronics Ltd., our objectives are clear. And simple. Since 1975. That India's future is hi-tech. And every Indian should be part of it. Wherever he or she is in India. So at GCEL, we develop technology that's better and relevant. To help every Indian live a little better.



GCEL

Gujarat Communications & Electronics Ltd.
Regd. Office: Third Floor, Anurag Commercial Centre, Race Course Road, Baroda 390 005

Live better. The better technology is here.


The highly competitive world of global business.
Blow your deadline and you blow your future prospects.
It's a race against time.
But how do you rush a proposal halfway across the world?
AIRFREIGHT-DHL. You can count on us when deadlines must be met.
Your access to the world...
AIRFREIGHT-DHL. No other courier in India offers you a wider global net
AIRFREIGHT, in business association with DHL, provides a international network to meet the time-sensitive of global business. Over 600 offices in 160 countries. employees. Plus 2,500 on-board couriers, who ensure the y possible, for your documents. And your dutiable.
...and India as well
AIRFREIGHT-DHL has a comprehensive network within India
No wonder, 80% of the top 101 Indian Companies, as listed by The Economic Times, think the world of our courier service!
AIRFREIGHT DHL
WORLDWIDE COURIER
Changing the way India does business with the world.
Ahmedabad. 212, 408077. Bangalore: 561007. Hosur: 6810. Baroda: 67061/62/63. Bhubaneswar: 53178. Bombay: Nariman Point.
Calcutta 42174, 446279, 448401. Chandigarh: 40400 Cochin: 6163, 69477. Alleppy: 3373. Kala
Coimbatore
Delhi
Madras: 476152, 476175, 472331. Ambatoor: No. 883, M.T.H. Ro

the powerlooms and the price elasticity of the demand for cloth, mill sector managements have been unable to pass on the full impact of indirect tax hikes to the consumer and have been forced to absorb them to a significant extent. This is borne out by the fact that while the wholesale price index for all manufactured products during the period 1950-51 to 1984-85 increased by an average of 5.9% per annum, the corresponding increase in textile prices was only 5.1% per annum.

But in the case of both the textile mills and the handlooms units the factor that has turned a steadily worsening situation into one of acute crisis has been the rapid growth in the population and production of powerloom units. "What has seriously hurt both the handlooms and the mills has been the unrestricted growth of powerlooms. Several concessions which were meant for handloom units began flowing to the powerlooms which began to flourish at the cost of the other two sectors," says Podar, quoted earlier.

Certainly, there is considerable merit in Podar's analysis. During the decade 1975-85, the population of powerlooms more than trebled from around 3 lakhs in 1975 to an estimated 1 million in 1985. During the same period, the number of handlooms increased from 3.5 million to 3.8 million, while the number of looms in the mill sector — where capacity creation was tightly controlled by the government — increased marginally from 2.07 lakhs to 2.10 lakhs.

Consequently, the share of the mill and handloom sectors in total cloth production which stood at 46% and 29% respectively in 1975, plunged to 30% and 25% respectively in 1985, while that of powerlooms increased from 25% to 45% during this period. Organised sector textile mills in particular were badly hit. The cloth production of this sector dropped from 4,267 million metres in 1975 to 3,412 million metres in 1985 despite an overall increase in cloth production (see graphs).

ACTUAL VILLAINS

However, while it has become common and indeed, even fashionable, to point accusing fingers at the powerloom sector for the woes of the mill and handloom sectors, the actual villains of the piece are the mandarins of the bureaucracy who had taken upon themselves the task of shaping the destiny of this vital, labour-intensive industry. On the one hand, the protection accorded to the handloom sector was not backed up by any serious attempts to modernise it. Consequently, handlooms continued to produce coarser variety cotton fabrics which were hopelessly out of step with changing consumer preferences in favour of finer varieties of cloth. And on the other hand, the cloth produced by the mill sector — in which expansion was frozen for decades and which had to bear the burden of heavy excise imposts as well — had become too expensive.

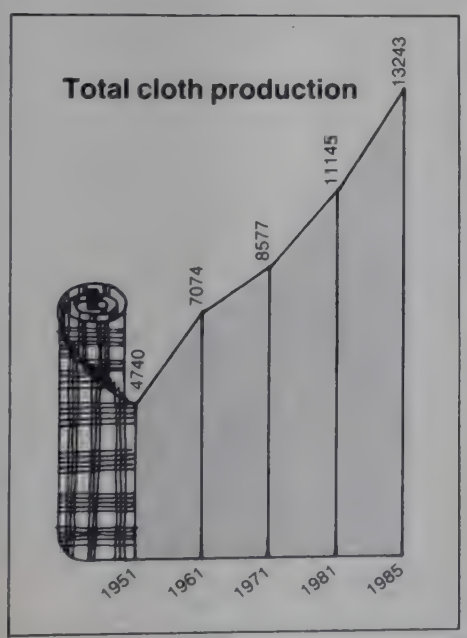
The powerloom sector however derived the advantages of both the mill and handloom sectors without suffering from any of their disadvantages. Units within this sector were able to produce better quality fabrics than those produced by handloom weavers and at prices which were significantly lower than those of the mill sector. They were thus able to grab a major share of the national market for textiles and fabrics. In every sense, with their lower costs and overheads, powerloom owners emerged as a powerful force whose time had come.

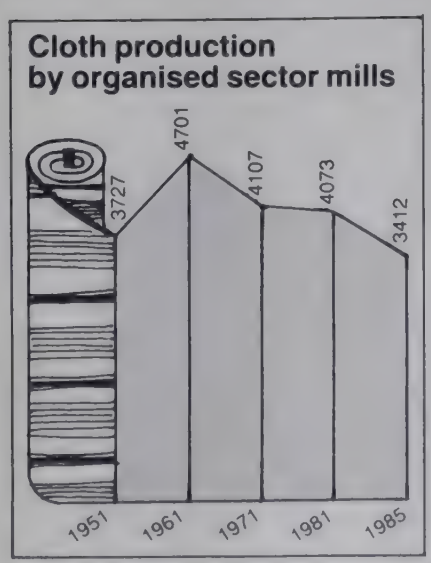
But the government did not think so. And instead of trying to regulate the growth of powerlooms by unshackling the mill sector from the maze of controls imposed upon it, and encouraging the upgradation of the handloom sector thereby unleashing the forces of intersectoral competition, it sought to put the lid on the growth of powerlooms by imposing controls on this dynamic sector of the industry as well. But like the hydra-headed monster in Greek mythology, the more the government sought to control the growth in the number of powerloom units, the faster they grew.

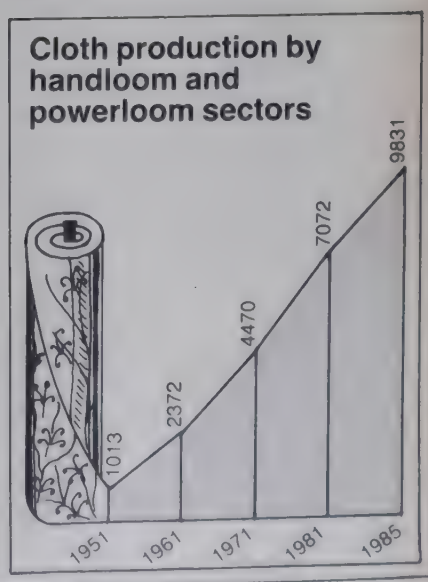
"Ever since 1956, when the government first passed a textile control order to restrict the growth of powerlooms, it has imposed numerous other controls on this sector. Instead of realising that our growth was the result of an overwhelming consumer preference for our fabrics, the government sought to impose licensing and other curbs which were both complicated and unrealistic. Consequently, unauthorised powerloom units have sprouted all over the country and the government has had little option but to regularise them once every five years from 1961 onwards. Currently, of the estimated 1 million powerlooms in existence, about 3.5 lakhs are unauthorised," admits M.K.N. Nagamanickam (56), chairman of the All India Powerloom Federation.

EXCLUSIVE PRODUCTION

According to Nagamanickam, one of the measures aimed at curtailing the growth of powerlooms — and one which the government still persists with — was the reservation of certain varieties of cloth for exclusive production by handlooms. "Under the textile control order,







BusinessWorld
March 31—April 13, 1986



Nagamanickam: reservation futility

the government specified a host of items classified under 12 different headings, which included *dhotis*, saris, napkins, towels, etc., of popular sizes, which were exclusively reserved for production by handloom units. No one denies the fact that handlooms need protection and we (powerloom owners) realise this fact better than either the mill sector or the government because most of us started as handloom weavers. But instead of physical controls, the government should have imposed fiscal controls because the simple fact is that a machine will produce what it is capable of producing, irrespective of what the government may say or feel," says Nagamanickam.

Meanwhile, the rapid growth in the number and production of powerloom units has also proved to be a boon for the cloth trade which has reaped the twin benefits of bigger margins and higher volumes. Consequently even big retailers in major cities have switched over from vending mill-made textiles to powerloom fabrics on a massive scale. In Bombay — which would rightly qualify for the title of the textile capital of the country — for instance, at Babubhai Jagjivandas, probably the largest fabric retailer in the country, an estimated 65% of the inventory comprises powerloom fabrics.

"Today in Bombay there are about 6,000 retail cloth shops and their stock ratio of powerloom to mill cloth is approximately 65:35. And very often, the quality of powerloom cloth is only marginally inferior to what the mills have to offer. Thus, for instance, the Paramsukh brand of *dhotis* manufactured by Century mills has several imitators in the powerloom sector — all sporting brand names which are strikingly similar to the original and which offer only a slightly inferior quality at half the price. This benefits both the customer, who has to pay a lower price, and the dealer, who gets a higher margin," says a spokesman of the cloth trade who preferred to remain anonymous.

BRAND PLAGIARISM

Indeed, not a few powerloom manufacturers have capitalised on the success of well established mill sector brands to market their products. Thus, for instance, for every metre of Bombay Dyeing and Mafatlal fabric in the market, there are two metres of Mumbai Dyeing and Mufatlal available at almost half the price. But again, while such cases of brand name plagiarism need to be dealt with severely, the very fact that the population and output of the powerloom sector have grown so rapidly indicates that its malpractices notwithstanding, it has been able to attract customers by offering value for money — a reasonable quality at an attractive price.

On the other hand, the textile mills shackled by the Union government's capacity licensing policies have been unable to expand production to reap the benefits of the economies of scale. In addition, obsolete equipment, high imposts, surplus labour and in several cases complacent managements, have ensured that only a few organised sector enterprises have been able to deliver the goods at reasonable prices. Consequently, given the income and price sensitive nature of the market for textiles in the country, the mill sector has been able to attract the custom of only a small up-market minority, while the powerloom sector has taken over the function of clothing the masses.

The predicament of the organised mill sector is indeed unenviable, caught as it is in a vicious cycle. Rising costs and prices have steadily reduced most textile companies' market shares, which in turn has resulted in the underutilisation of installed capacity and further losses which in turn has meant insufficient funds for modernisation and hence high costs. And although recent comparative statistics are difficult to come by, a Reserve Bank of India study covering the period 1976-77 to 1980-81 indicates that the average rate of return on capital employed in the case of the organised sector cotton textile industry during these six years was a mere 8% per annum *cf.* a 15.7% per annum average for all other industries. Spokesmen of units in this sector say that the situation, far from improving, has actually worsened in the subsequent years.

However, while it has become customary for managers in the organised sector of the textile industry to blame government policies for their rapidly eroding fortunes, they themselves are not blameless. Most textile mills are run in a feudal manner and modern management structures and systems are conspicuous by their absence even in the organised sector of this industry.

The lack of professionalism which

Mulji Jetha Market, Bombay: preference for powerloom fabrics



BusinessWorld
March 31—April 13, 1986

characterises the textile industry is most clearly depicted in the marketing of the output of the organised sector. Most mill managements even today do not maintain any direct contact with the retail trade or the customer, preferring to sell their output to 'merchants,' who in turn pass it down the distribution chain to the consumer. Consequently, most mill managements know precious little about the pattern of consumer demand or about the changes in consumer tastes and preferences, and only have the 'merchant's' word to go by.

HEAVY DEPENDENCE

"In a typical situation, a merchant places an order with a mill for several hundred metres of a particular fabric and the mill management produces it without even trying to learn where its cloth is to be sold or who the customer is. Such an arrangement works well when there is hardly any competition. But in the present environment of cut-throat competition, this heavy dependence on the trade, which has only a limited interest in the matter, is hardly advisable," says an industry insider who preferred to remain anonymous.

According to him, several mill managements in the traditionally textile town of Ahmedabad were recently confronted with a difficult situation arising from their lack of knowledge of market conditions. "The cloth manufactured by these mills was being largely marketed in Punjab, where cloth sales had plunged as a result of the agitation there. But the mills were unaware of this plunge in sales, and continued to produce cloth to fulfil the orders already placed by wholesalers. Subsequently, when the latter failed to take delivery, they were saddled with huge stocks of unsold cloth," says this well-informed textile industry insider.

Most organised textile sector managers however tend to defend their existing distribution arrangements, arguing that with the market being too dispersed and primarily rural, distribution costs are stingingly high. However, there are several other branded commodities, most notably soap and tea, which are also distributed through company salesmen to even the most back-of-the-beyond markets in the country. Hence, this argument is hardly tenable.

Again, the tremendous success in the marketplace of Reliance Industries' Vimal brand of fabrics bears eloquent testimony to the difference which the use of scientific marketing techniques can make to fabric sales. Unlike the managers of most textile companies, Reliance managers undertake periodic market surveys to assess changes in customer tastes, fashion preferences, and regional and urban-rural variations, and constantly alter the company's product mix and designs accordingly. The company has also established an extensive distribution network, comprising about 700 exclusive Vimal dealers, in a short span of six years and has backed it up with the most high profile advertising blitz the industry has ever known.

Not surprisingly, Vimal brand fabrics are a runaway success. And at a time when the organised sector textile mills are struggling to find customers for their output, Reliance Industries is selling suitings, shirtings, sarees and dress materials valued at Rs. 250 crores annually with considerable ease and that too within just six years of its entry into the market. Indeed, a recent survey conducted by *BusinessWorld* to determine the most successful consumer brands of the eighties, rated Vimal textiles as one of the five most successful products (see *BW* cover feature February 17-March 2, 1986).

GLARING INADEQUACIES

But clearly, Reliance is an exception within the moribund organised sector textile industry in which glaring market-

The mill sector's management test

One of the major factors upon which the revival of the organised sector of the textile industry is dependent is the modernisation of the country's 955 textile mills which employ 1.2 million citizens. Currently, as per the estimates of the Indian Cotton Mills Federation (ICMF), 63% of the spindles and 82% of the looms in the mill sector are over 15 years old and need to be replaced without delay.

Accordingly, the ICMF has asked for financial assistance from the Union government to the tune of Rs. 2,800 crores to be spent on the modernisation of the organised sector textile mills over a period of 10 years. However, thus far the government has not responded on the ground that the problems relating to the modernisation of the mill sector of the industry are complex.

The first and foremost problem which confronts the government and the textile mill managements is that of labour displacement, which is an inevitable consequence of modernisation. It is estimated that one automatic loom, for instance, will displace six workers in a composite mill. It is also this prospect of massive retrenchment and unemployment that has persuaded the Union and state governments to stay the closure of terminally sick mills which are beyond redemption.

Yet another problem is that of finance. Most mill sector managements do not have the wherewithal to make even a modest 20% contribution to the modernisation effort. "Many of the sick mills will not be able to meet the demand of the financial institutions that their promoters also contribute to their modernisation effort. Hence it is important that the government permit 20% of the total excise collection from the composite mills to be set aside as seed capital," says Kantikumar R. Podar (50), chairman of the ICMF.

Concessional rate. Mill owners are also pressing their claim for a concessional 7.5% per annum rate of interest on modernisation loans, arguing that there is a time lag between the actual modernisation and the flow of benefits from it and unless the interest rate is concessional, the interest burden itself could jeopardise the entire effort.

But even while the government will have to sort out the problems of labour displacement and the mobilisation of finance for modernisation, the organised sector managements too will have to show a higher degree of management skills than they have in the past. Several mills which have modernised in the past have come to grief due to a variety of reasons, including the dislocation caused by partial modernisation, a runaway increase in modernisation costs and their inability to find new markets for their products.

The sellers' markets of the textile industry have become a phenomenon of the past with the rapid emergence of the powerloom sector as a force to reckon with. And unless the increased productivity, which modernisation is bound to usher in, is matched by a revamp of current marketing strategies, the entire modernisation exercise could backfire.

Indeed, the modernisation of the mills represents only the first step towards their rehabilitation. A lot more would depend on how organised sector managements professionalise their operations through the adoption of modern management practices — which are conspicuously thin on the ground in the textile industry.

BusinessWorld
March 31—April 13, 1986

ing inadequacies have been compounded by frequent labour problems. For example, the marathon 18-month textile mills strike in Bombay a few years ago drove a large number of organised sector textile mills further into the red. And while the mill managements also blame surplus labour for their problems, a major factor is declining capacity utilisation ratios which render labour surplus and which is the consequence of a combination of inefficient management and myopic government policies.

Yet another example of lackadaisical management is provided by the poorly diversified character of the cotton textile manufacturing companies. Given the cyclical character of cotton production in the country — largely the result of cotton growers' excessive dependence on rainfall rather than on irrigation — these units' fortunes fluctuate wildly and hence to achieve a degree of stability in their operations, it is imperative that they diversify into other lines of business. However, of the 955 companies in the organised sector of the textile industry, barely a dozen have done so.

Perhaps the two most striking examples of mills which have successfully diversified out of the cotton textile industry are provided by two (B.K.) Birla managed companies — Century Spinning, Weaving & Manufacturing Co. Ltd. (sales: Rs. 346.20 crores in the year ended 31st December 1985), and Kesoram Industries & Cotton Mills Ltd. (sales: Rs. 159.15 crores in the year ended 31st March 1985). Both of them branched out of the textile industry in the early sixties.

"Since the very beginning I was very keen to diversify the activities of the companies in my group as I felt that it would establish stronger foundations with greater safety and security. My assessment of the future of the textile industry was rather pessimistic, especially as the plant and machinery of the majority of the textile mills had become out-of-date and synthetic yarns were expected to offer stiff competition. Besides, surplus labour even in those days was already a very serious problem," says B.K. Birla (65), who is the chairman of both Century and Kesoram.

ATTRACTIVE ALTERNATIVE

"We had basically two alternatives, either to adopt large-scale modernisation and renovation programmes for Century and Kesoram, or promote new projects in these companies and out of the profits of these new projects, inject money into the modernisation of our textile units. I was convinced that the second alternative was more attractive than the first. Thus it was decided to defer the large-scale renovation of the old textile mills and instead we promoted new projects such as rayon, tyre yarn, spun pipes, cellophane paper, etc., in these companies. From the profits of these projects we renovated the textile mills and in the circumstances I think our decision was both wise and sound," says Birla with justifiable satisfaction.



B.K. Birla: successful diversification

Indeed, there is every reason to believe that if the other mills too had jumped on to the diversification bandwagon in the early sixties — when their bottom lines were much healthier — the crisis in the industry would not have reached such cataclysmic proportions.

Be that as it may, Birla — like several others who are well informed about the industry — believes that the government will have to take some hard decisions, and quickly, if the present crisis is not to push the organised sector units within the textile industry beyond the point of no return. "The problem of the composite textile mills in particular is a very serious one. At present, 80% of these mills are operating at a loss or on small margins. I fear that in the course of time the situation will worsen unless very serious attempts are made to improve things. These include the modernisation and renovation of the industry even if it leads to the retrenchment of labour. The government should also give the mills permission to sell surplus land and buildings on merit and on a case-by-case basis, and the sale proceeds should be used only for the purposes of modernisation and renovation. In addition, uneconomical units which cannot be made viable should be allowed to close down. This will gradually reduce the installed capacity of the industry," says Birla.

These common-sense suggestions have obviously occurred to the government and indeed are enshrined in the new textile policy. But that the government has not yet acted on any of them is another story. The policy clearly states that, "where a unit has no expectation of becoming viable in a reasonable period of time, there may be no alternative but to allow the unit to close, provided the interests of the workers are protected." Yet, although there are over 200 mills which are for all practical purposes beyond redemption, the government has not taken a decision on their closure, presumably because of the labour displacement problem arising as a consequence.

SOCIAL OBLIGATION

Indeed, nearly half of the 122 mills within the fold of the state owned National Textile Corporation (NTC) itself are believed to be beyond the pale and have been kept running mainly to fulfil the government's social obligation of providing employment. Not surprisingly, the losses of the NTC have been mounting from Rs. 97 crores in 1982-83 to Rs. 137 crores in 1983-84 and further to Rs. 168 crores in 1984-85.

Several observers feel that the government will have to take a hard political decision regarding the retrenchment of surplus labour in the organised sector of the textile industry if the present crisis which confronts it is to be resolved. This will not only help the NTC mills in particular — which have a surplus labour force estimated at 55,000 workers — to improve their profitability, but will also facilitate the closure of terminally sick mills and provide for the modernisation of the others.

However, both the closure of hopelessly sick units and the modernisation (see box p.59) of the rest are at best only short-term measures. The real crucial test for both the mills and the government will arise in the post-modernisation

Handlooms: a time of reckoning

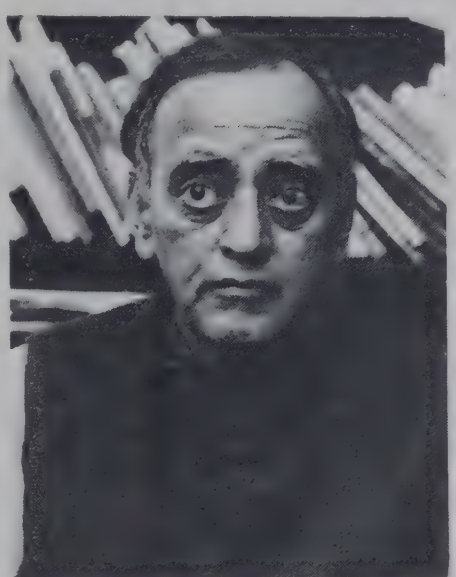
The handloom sector of the textile industry has traditionally occupied a unique place in India's political and economic milieu. Even currently it constitutes the largest industry in rural India and provides employment to an estimated 10 million people. Yet, over the years and particularly during the last decade, the handloom sector of the textile industry has been passing through a period of deep crisis.

As a consequence, the share of handlooms in national cloth production has dropped from 29% in 1975 to 25% in 1985. Secondly, against the targeted production of 3,830 million metres of handloom cloth by the terminal year of the Sixth Plan (1984-85), the actual production was only 3,200 million metres. Finally, an estimated 8 lakh handlooms or 20% of the 4 million handlooms in the country are believed to be lying idle.

A major cause of the problems of the country's estimated 10 million handloom weavers has been the unbridled growth of the powerloom sector. Against the targeted powerloom cloth production of 4,300 million metres in 1984-85, the actual production was 5,318 million metres. An average powerloom is able to produce five times as much cloth per year as produced by a handloom and given the fact that most other costs are about the same for both, powerloom owners have been driving the weavers out of business by producing cheaper and better quality fabrics.

Many of these problems have been taken cognisance of by the new textile policy which states that, "Greater emphasis will be placed on the modernisation of looms; special efforts would be made to ensure adequate availability of yarn and other raw materials to the handloom sector; protection to handlooms will be provided by reserving articles for exclusive production in the handloom sector; and to improve the marketing of handloom products, infrastructure of marketing complexes, training of marketing personnel and intensive publicity shall be organised."

Irreparable damage. However, these unexceptional objectives notwithstanding, several well-informed rural management experts are of the opinion that the implementation of the new textile policy will cause irreparable damage to the handloom sector. Comments L. C. Jain, former chairman of the All India Handicrafts Board and a policy maker of repute who has been closely associated with rural cooperatives and village industries since 1947: "The handlooms have been stripped of their pride of place by the new textile policy. The new policy has sought to do away with all capacity restrictions and has also provided for the modernisation of the mill sector through the import of machinery under OGL and the availability of concessional finance.



Jain: gloomy assessment

All this will put the handlooms in a disadvantageous position and I fear that more than 1 million handloom weavers are likely to lose their sole means of livelihood in the near future as a result of the policy."

Jain's gloomy assessment of the impact of the new textile policy on the handloom sector is not entirely injustified. For although his implicit argument that the mills should not be modernised and freed from controls that bind them is unrealistic, his fears about the handlooms being unable to face intensive competition are well founded. Unless the government is able to implement the objectives of the new textile policy in a balanced manner — i.e. equally with regard to the handloom, powerloom and the mill sectors — the survival of a large number of weavers could be in jeopardy as a result of the sudden spurt in competition from the mill and powerloom sectors.

And if past experience is anything to go by, the government's assurance that it intends to facilitate the modernisation of the handloom sector as stated in the new textile policy provides no ground for optimism. Since 1951, one of the main planks of the government's efforts to protect and promote the handloom sector has been the reservation of the production of certain types of fabrics exclusively for units in this sector. The new textile policy also places much emphasis on this policy of reservation of certain varieties of cloth for the handloom sector. Yet this product reservation policy has been violated with impunity particularly by powerloom owners and the government has been able to do precious little about it.

Severe problems. Again, the scheme of promoting handloom cooperatives with a view to ensuring better availability of raw material supplies and improved marketing facilities for handloom units is yet to take off. More than a decade after the idea was first mooted, no more than 20% of the output of the handloom sector is sold through cooperatives and the majority of weavers still experience severe raw material and marketing problems.

"Despite the considerable lip-service paid to the protection of handloom weavers, the growth of the powerloom sector and the annual regularisation of unauthorised powerlooms is ample testimony of the actual state of affairs. Moreover, in 1980, the National Handloom Development Corporation was promoted to supply yarn to handloom weavers. It was estimated then that its yarn supplying operations itself would be to the tune of Rs. 285 crores per year. But in 1984-85 the value of the yarn it supplied to weavers was to the tune of a mere Rs. 2 crores. This statistic is self-explanatory," says Jain, quoted earlier.

Quite obviously, there has been a considerable disparity between the government's objectives and their actual implementation. And given the present context of decontrol and modernisation of the mill sector (as proposed in the new textile policy) and the wildfire growth of the powerloom sector, a major effort to modernise the handloom sector and sharpen the competitive edge of the country's 10 million handloom weavers brooks no further delay. For this purpose the rapid formation of handloom units into cooperatives, the modernisation of handlooms and the professional marketing of handloom cloth needs to be given top priority. Otherwise the probability is that the new textile policy will prove to be the obituary of the country's labour-intensive handloom sector.

phase. For while the induction of modern machinery will no doubt improve the production efficiency of units in the mill sector, in the short term it will also lead to a perceptible increase in costs which cannot be passed on to the consumer for obvious reasons.

Hence mill sector managements will have to improve their managerial efficiency to keep cost increases within permissible limits and to widen their markets through the adoption of marketing rather than mere selling techniques as at present. For it is highly unlikely that given their higher overheads and establishment charges the composite mills — i.e. those which undertake the spinning, weaving and processing of cloth all under one roof — will ever be able to compete in the marketplace against powerloom units on price considerations. Instead, they will have to upgrade their product quality and brand image to improve market shares.

Textile milch cow

	Excise collection (Rs. crores)
1950-51	9.26
1960-61	71.07
1970-71	217.84
1980-81	918.99
1985-86	1,653.00*

* Estimated
Source: ICMF, Bombay

Currently, despite the fact that there are 280 composite mills, no more than a handful — Raymonds, Gwalior, Bombay Dyeing and a few others — have consciously sought to establish an image for their products through the use of such marketing techniques as segmentation and brand positioning.

Yet these efforts will have to be supplemented by those of the government, which under the provisions of the new textile policy is pledged to reduce the crushing imposts levied on synthetic (or man-made) fibres and yarns. And just how inordinately high these imposts are is indicated by the fact that the budgeted excise revenue yield from man-made fibres and filament yarn during fiscal 1985-86 was a whopping Rs. 983 crores — the single largest excise revenue earning head on the government's long list of excisable items.

BENEFICIAL EFFECT

A phased reduction of these duties will undoubtedly have a tremendous beneficial effect on the textile industry. It will not only make blended and synthetic fabrics cheaper and stimulate demand for cloth — thereby earning more revenue for both the industry and the government — but it will also reduce the industry's overwhelming dependence on raw cotton, thereby lending a degree of stability to its operations. In 1984-85, as against the consumption of 88.24 lakh bales of cotton by the mills, their consumption of man-made fibres was a mere 11.24 lakh bales.

Equally significant is the fact that excise duty cutbacks on synthetic fibre and yarn will go a long way in checking the flourishing trade of smuggling synthetic yarns and fabrics valued at a mind-boggling Rs. 3,000 crores per annum into the country. This is almost twice the total budgeted excise collection of Rs. 1,653 crores from the entire textile industry during fiscal 1985-86. Hence it is extremely unlikely that the government will suffer any revenue loss from reducing duties as the consequent reduction in smuggling will lead to a spurt in the demand for indigenously manufactured fibres, yarn and fabrics.

Again, a reduction in excise duties on synthetic textiles will help boost the country's export effort in the long term. The percentage of textile exports to the country's total exports has dropped from 20% in 1950-51 to 10% in 1983-84 and today India accounts for a meagre 1% of the world trade in textiles, which is estimated at a massive Rs. 1,00,000 crores per annum. India's textile exports comprise almost entirely of cotton fabrics and garments whose quality and prices are dependant on the fluctuating fortunes of the cotton crop in this country. A transition to the increased use of synthetic fibres will thus help impart stability to the textile export business as well.

Clearly, the government will have to play the major role in reviving the fortunes of the textile industry. And if the new textile policy is any indication, the government seems well aware of its responsibility. It has already served notice of its intention to help modernise the industry, reduce duties in a phased manner and free the industry from the numerous controls which bind it.

But all these resolutions still remain on paper as the speed of their implementation leaves much to be desired. One of the major problems is that of the multiplicity of agencies involved in making decisions on matters pertaining to the textile industry, and the consequent delays. Thus, for instance, in the case of textile labour, the trade unions, the mill managements, the labour ministry and the state governments all get into the act,



Textile workers: labour-intensive industry

each with their own conflicting interests and this makes the decision-making process both difficult and time consuming.

ILL-AFFORDABLE DELAY

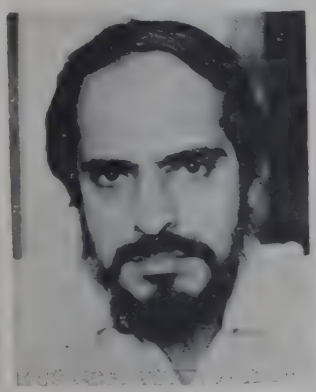
However, these problems notwithstanding, the Rajiv Gandhi government can ill-afford to delay the implementation of the new textile policy as with each passing day the cost to the economy in terms of the cost involved in extricating the industry from the morass into which it has fallen, is escalating. In the final analysis, it is quite clear that the blame for the numerous ills that plague the textile industry as a whole needs to be laid at the door of the Central government. By imposing a plethora of controls on the organised sector of the industry, even while neglecting the orderly development of the powerloom and handloom sectors, the not-so-wise men within government, who took it upon themselves to plan the future of this labour-intensive industry, have merely succeeded in driving it to the brink of disaster.

Since successive governments in New Delhi have driven the industry deep into the rut, the onus has now devolved upon the Rajiv Gandhi administration to extricate it from therein. True, it has made a brave beginning, but it needs to grasp the nettle and implement it vigorously. The fate of over a 100 million citizens — and perhaps of the administration itself — depends on the finesse and determination with which the new generation government in New Delhi moves to implement its brave new textile policy of 6th June 1985.

BusinessWorld
March 31—April 13, 1986

Crusader journals

DARRYL D'MONTE



Lost in the welter of glossy magazines, "public cause" journals battle against all odds. They get few or no ads at all, have a small but devoted band of readers and don't get the kind of reaction that makes their writers public figures such as Girilal Jain, Arun Shourie or Nikhil Chakravartty.

But these journals are very much on the Indian media scene and, in many cases, their strength is increasing rather than being on the wane. The BUILD Documentation Centre in Bombay, for instance, brings out an excellent newsletter, *News for Action*, in which it culls interesting items from major newspapers on subjects of political and social interest and assembles them for easy reference. Typical headings are: Working Class, People In Movement, Caste, Class and Tribe and Women and the Rural Scene. After the Bhopal disaster the newsletter regularly publishes items not only on the progress of the case, but on the environment in general.

Every now and then, BUILD brings out a special document on a vitally important contemporary issue. Last year, for example, it issued a background paper on Gujarat's communal riots titled 'The Shattering of Gujarat.' These documents are extremely useful for all those readers and writers who don't have the time or resources to follow the media on a regular basis and want to find out what is happening in certain fields. They also provide a fair amount of analysis.

MIDDLE COURSE

The one complaint one can harbour about BUILD's newsletters is that the material is sometimes too dispersed and fragmented, and unless one follows an event closely, it is impossible to make use of the snippets of information that the newsletters contain. On the other hand, merely commenting on issues is something that isn't needed either: an exercise in punditry. All such voluntary groups ought to bear in mind that they need to bring into play a high degree of skill in presenting to their committed readers information which they can use in one way or another. They have to steer a middle course between reproducing bits of news and editorialising.

A much more sustained effort is made by Lokayan, the Delhi-based group which won the 'alternative Nobel Prize' last year. Lokayan when translated freely means "dialogue of the people." The group is committed to examining how Indian society is confronted by crises in different spheres and how it can proceed to deal with them.

Rajni Kothari, the well-known political scientist, presides over the activities of the organisation, but its actual management is in the competent hands of his son Smitu Kothari and Harsh Sethi. To complicate matters, Kothari also heads the People's Union of Civil Liberties in Delhi and, together with the People's Union of Democratic Rights, was responsible for bringing out the controversial document *Who Are the Guilty?* which indicted several Congress(I) leaders for having a hand in the communal killing of Sikhs in the capital after Mrs. Gandhi's assassination.

Typical to Lokayan's philosophy of looking at the alternative paradigms open to the Indian people, is its tackling of such issues as environmental pollution and a discussion on some dilemmas facing non-party political groups.

Of interest not just to environmentalists but also to anyone concerned with development is *Himalaya*, a bi-monthly edited by Krishna Murti Gupta of the Himalaya Seva Sangh, which is housed in the Gandhi Peace Foundation premises in Delhi. This slim journal has the added advantage of being bi-lingual—it is published in Hindi and English. It provides a great variety of news and views on the deterioration of the Himalayas—in the shadow of which no fewer than one billion people will be living in India, Pakistan, Burma, China and other neighbouring countries by the turn of the century. This makes this area the world's biggest environmental problem spot, far surpassing such trouble spots as the Sahel.

Another documentation centre in Bombay, known as the Centre for Education and Documentation (CED), has also brought out a number of well-researched pamphlets, including one on Operation Flood titled 'Development or Dependence.' This was the provocation for much of the controversy in the media and elsewhere on the pros and cons of the world's largest dairy project. It is typical of many journalists in large newspapers that hardly any of them referred to this document even after the nationwide debate on the scheme. CED has also published reports on the communal situation and on land degradation in India.

'In many ways, they show up the work of scribes who have access to much larger resources than these journalists could ever hope to enjoy. It demonstrates that there is no better fillip to painstaking investigation than commitment to a cause'

DICKENSIAN TONES

A public crusader of the American variety is Professor Manubhai Shah of the Consumer Education and Research Centre in Ahmedabad, who publishes a monthly called *Consumer Confrontation*. For sheer information on the fledgling consumer movement in the country, there is no better forum than this journal. It also publishes, in rather Dickensian tones of self-righteousness, a column called 'Crime and Punishment' in which it lists the names and addresses of defaulters—petty merchants and grocers—apprehended by the weights & measures department in Ahmedabad. After Bhopal, the journal is increasingly turning its attention to environmental issues and the legal implications of gas leaks and occupational hazards.

This is by no means an exhaustive list of public-minded journals that are brought out in the larger cities. But it does give an idea of the range and depth of their research. In many ways, they show up the work of scribes who have access to much larger resources than these journalists could ever hope to enjoy. It demonstrates that there is no better fillip to painstaking investigation than commitment to a cause.

Indeed, there is no reason to pose "mainstream" journalism in opposition to these crusaders: ideally, they could cohabit the media and help one another. Many scribes do commute easily between the two anyway.

Centralcard-MasterCard



offer you a world of convenience

Member Establishments —
take advantage of a large clientele. Centralcard* is linked with MasterCard, the leading international credit card association.So you enjoy the added business of foreign tourists—most of whom are holders of MasterCard or its affiliates, totalling 110 million worldwide

You pay no fee to become a member establishment. You are assured of Central Bank's efficient, friendly service.

Immediate payment at any of our branches.

Centralcard Holders —
enjoy real convenience and many privileges

- Centralcard is issued free of cost
- No membership fee, no renewal fee
- Centralcard holders are welcome at a large number of department stores, hotels, restaurants, shopping arcades, etc
- Even Air-India and Indian Airlines honour Centralcard
- Instant withdrawal of up to Rs. 2500 per month from any of our branches is ensured
  Central Bank is one of India's largest nationalised banks with a wide network of branches

* Valid in India and Nepal

Fill in and mail the coupon today. You could soon be enjoying the world of convenience that is offered to you by Centralcard-MasterCard.

Central Bank of India,
Centralcard Department,
Kasturi Building, J. Tata Road,
Bombay 400 020.
Phone: 2024004, 2026312, 2022331.
Telex: 011-6929.

Central Bank of India, Centralcard Department, Kasturi Building, J. Tata Road, Bombay 400 020
Please send me your application form for
☐ Member Establishments (Please state category, i.e. hotel,restaurant, curio shop, etc.)
☐ Individual Membership ☐ Corporate Membership
Name
Address
Occupation



Interpub/CBI/1/86

LETTER FROM COLOMBO — MANIK DE SILVA

The other viewpoint

A surge of violence in which at least 86 people were killed in Sri Lanka's troubled northern and eastern districts on 18th and 19th February, and the uncovering of a Tamil guerilla plot to set off a blitz of car bombs in Colombo, once again focused national attention on the seriousness of the country's ethnic crisis.

But a political solution on terms acceptable to Sri Lanka's majority Sinhalese and minority Tamils remains a distant prospect. The guerillas, whose leaders are based in the southern Indian city of Madras, are unrelenting in their demand for a separate Tamil state. This demand has been rejected totally by the majority of the Sri Lankan people.

Tightrope walk. The Tamil United Liberation Front (TULF), the Tamils' major political party—uneasily walking a tightrope between the rebel extremists and New Delhi's insistence that a reasonable package of devolution be accepted as a basis of settlement—is holding out for a linking of the northern and eastern provinces as part of a regional autonomy arrangement. But Colombo, sensitive to the views of the Muslims and Sinhalese who outnumber the Tamils in the east, cannot agree to this demand.

Addressing the opening of the new session of parliament on 20th February, President Junius Jayewardene declared that his government had tried its utmost to arrive at a political solution. Thanking the Indian government and particularly prime minister Rajiv Gandhi for New Delhi's efforts at bringing the two sides together to hammer out a possible solution, Jayewardene indicated clearly Colombo's position.

He told parliament: "There are certain principles we cannot depart from in arriving at a solution. We cannot barter away the unity of Sri Lanka"—a reference to Colombo's rejection of joint regional autonomy to the northern and eastern provinces. He went on to add that "the right of every citizen in this country, whatever his race, religion or caste, to consider the whole island as his homeland, enjoying equal rights constitutionally, politically, socially, in education and employment, are equally inviolable."

Speaking less than 24 hours after the rebels had set off a landmine which killed four soldiers and 36 civilians—all Sinhalese—at Dehiwatte in the eastern Trincomalee district, in the worst massacre since the attack on the sacred Buddhist city of Anuradhapura nine months ago, Jayewardene also made very clear that the carnage will not help in reaching a settlement.

The explosion at Dehiwatte—which also killed children among the civilians being escorted by the military to a market in a guerilla area—was followed the same day by the security forces' action against what the government called some terrorist hideouts in northern Jaffna. Air force helicopters and light aircraft were used in this attack which, according to residents, resulted in at least six deaths. The government placed casualties at three dead and at least seven injured, but some Indian news agencies said the death toll ran to 50

Reports reaching Colombo later in the week said that another army operation at Lahugala in the eastern Amparai district, around 18th February, had resulted in at least 40 terrorists killed. The Tamil groups claimed in Madras that this was an attack on Tamil peasants and the rebel propaganda apparatus in Madras was primed to utilise this incident to try to neutralise adverse publicity over the Dehiwatte killings.

TULF leaders in Madras protested to Indian foreign secretary Romesh Bhandari about the air force actions in Jaffna, and New Delhi's high commissioner in Colombo, J.N. Dixit, conveyed his government's concern to the Sri Lankan foreign ministry.

Changing stance. Diplomats in Colombo perceive an Indian tilt towards the Tamils in recent weeks. Statements by Gandhi and the cancellation of a 4th February visit to Colombo by Bhandari—recalled to New Delhi from Madras where he was meeting the Tamil groups *en route* to Colombo—are all considered indicators of this change of stance.

In his address to parliament, Jayewardene offered an assessment of what influenced India's current position with the remark: "It is said that (the Indian state of) Tamil Nadu may imperil the unity of India if it is not permitted to have its own way in dealing with Sri Lankan terrorists living in its territory."

BRAZIL

President Sarney gets tough

For the Brazilians, 28th February was a day of surprises. On that day, President Jose Sarney, in a nationwide television broadcast, announced the introduction of a new currency for the country, and a set of tough new measures to curb the prevailing inflation rate of 255% per annum

Sarney, who was catapulted into office in April 1985 by the death of president Tancredo Neves, was regarded as being a "soft" president, incapable of implementing the hard measures needed to tackle Brazil's monumental economic problems head on. But, in a sudden and wholly unexpected show of activity, Sarney surprised the nation for once. With uncharacteristic force, Sarney recounted the staggering economic problems of Brazil on television, and told his countrymen that Brazil's external debt of $104 billion (Rs. 1,24,800 crores)—the single largest external debt in the world—coupled with an impossibly high inflation rate made a mockery of all economic decisions.

Sarney said that Brazil's problems had to be attacked at the root, which in his opinion consisted of cost push inflationary factors, and therefore extreme measures were called for. He then announced what must have been the best piece of news that Brazilians have heard in a long time: the freezing of prices, rents and salaries at their current levels, and the introduction of a new currency—the cruzado (formerly it was the cruzeiro).

The surprise move may have been as much a part of Sarney's strategy to boost his own image as it was of tackling Brazil's problems. And the new package of measures has certainly boosted Sarney's image to an all time high. Richard Foster, writing in the *Financial Times* (4th March), comments, "President Jose Sarney, who ordered the freezing of prices, rents and salaries, was until last week, viewed as a conservative, sincere but timid politician who lacked the nerve to mount an attack on financial and commercial speculators. By ordering the plan, the 55-year-old president has changed his image to Jack the Giant Killer, disarming his political opponents."

Threatening escalation. Yet, Sarney's new popularity is a measure of the effectiveness of the newly announced policy package. The inflation rate, just before President Sarney mounted the attack, had reached 255%—up from 200% at end 1984—and was threatening to escalate further to reach 400%-500% in the near future. Consequently, in December 1985, Sarney had toyed with the idea of de-indexing wages in order to control inflation, and also to politically stabilise the country, which was still in the process of making adjustments to a democratic regime after 20 years of military rule. But Sarney shelved the plan because he felt that the country was not politically cohesive enough to withstand the shock of de-indexation. However, inflation rates of 13.4% in December 1985, 16.2% in January and 14.4% in February left the government with no alternative but to mount the rescue operation. And judging by the popular reaction, Sarney's bail-out plan was probably overdue.

All over Brazil, there now appears to be a new sense of relief, a new direction and a new mood. An opinion poll conducted by one of Brazil's largest television networks indicates that not only has Sarney's action been widely welcomed, but that most people believe the measures will work. Richard Foster, quoted earlier, adds, "According to polls conducted during the beginning of March by a major television network, Sarney is now the most popular Brazilian president ever measured by modern polling. The same polls show that most Brazilians believe the new plan will reduce inflation, increase employment, hold salaries at current levels and sustain last year's healthy economic growth."

This new-found optimism has undoubtedly been influenced by the above average performance of the Brazilian economy over the last two years. The Brazilian economy recorded a growth rate of 4.5% in gross national product in 1984 and almost 8% in 1985—the highest in the world. It was able to reduce its imports by almost 50% and increase exports by 25% for the two years taken together, enabling the country to post a trade surplus of $13.1 billion (Rs.15,720 crores) in 1984 and $12.45 billion (Rs. 15,540 crores) in 1985. This allowed the country to build up foreign exchange reserves of $9 billion (Rs.10,800 crores) and avoid any new borrowing to service its external debt for which it repaid an average $10.5 billion (Rs.12,600 crores) in each of the two years.

Disastrous consequences. Therefore, the only dark patch was the galloping inflation rate. Brazil's economic managers were fully aware of the disastrous consequences of continuing high inflation rates on growth. In the case of Brazil, these consequences were already manifest—as the inflation rate galloped, the exchange rate of the cruzeiro against hard currencies simply slumped. Not only did this discourage the inflow of much needed foreign investment, but it also resulted in the flight of capital from within the country. The exchange rate of the cruzeiro had declined from about 3,300 cruzeiros to the US dollar at end 1984 to more than 13,000 cruzeiros to the dollar just before President Sarney announced the new plan. In the open market, the rate had fallen to more than 20,000 cruzeiros to the dollar. Therefore, it was obvious that if this erosion was allowed to continue, the economic system would simply break down and no amount of indexation would enable the economy to remain competitive.



"He's a genius. The inflation rate is down to 200%"

Brazil had already severed links with the IMF in 1985 because the Neves administration had termed its austerity programme as being too severe to be implemented in Brazilian conditions. The successor Sarney administration went a step further and launched a growth promoting policy package under the slogan: "growth not austerity," and said that Brazil would grow out of trouble with growth. But while growth did occur, the exchange rate problem also attained alarming proportions and then extreme surgery was inevitable, both for economic and political reasons. Besides, Brazil goes to the polls again in November this year.

Art Pine, writing in the *Asian Wall Street Journal* (3rd March), quotes Alexandre Barros, a Rio de Janeiro political analyst, on the crippling effect of inflation: "Basically, the government was up against the wall. The perception of inflation as a threat has grown enormously in the past few months. The fact that it (inflation) was continuing, had made people panic. Support of the government began eroding quickly. It was clear that if the government didn't do something soon, it would lose decisively."

Yet, the beneficial fall-out of Sarney's new package is not confined only to domestic political gains. Indeed, the Brazilian president has won high marks for his bold initiative even amongst the country's 700-odd creditor banks, which not only agreed to reschedule the payment of $31 billion (Rs.37,200 crores) of Brazil's external debt, but also allowed the country to pay a lower interest rate of 1.25% over LIBOR on its debts, as against 2% agreed to earlier. It was expected that the reduction would save Brazil $150 million (Rs. 180 crores) in interest payments every year.

Dissenting voices. Yet, while President Sarney basks in the glory of a new-found popularity, he may do well to remember that there is no room for laxity or complacency. The immediate acceptance of his medicine is no proof that the patient's health has improved. The indications are that additional measures will be needed to ensure that the Brazilian economy is permanently cured. In the meanwhile, Sarney may also have to contend with opposition from the trade unions and opposition parties for obvious reasons. Dissenting voices are already being heard and may well become more strident in the future.

An editorial writer of the *Financial Times* (4th March) sums up the opposition of trade unions to the new plan thus, "One dissenting voice in the general welcome for the plan has been that of the labour unions. They claim that the price freeze will not work and argue that the cost of living trigger, which gives wage earners automatic rises whenever prices increase by 20%, provides insufficient protection against inflation."

Opposition could also mount if Brazil is unable to meet its debt service obligations to the IMF and other banks, which currently account for 4% - 5% of GDP. The Sarney package can help to contain inflation, but it cannot result in the $104 billion debt being wished away or cancelled, and the prospect of Brazil continuing to sacrifice domestic growth in order to meet its debt obligations could fuel political opposition to the plan.

As to whether the Sarney plan can succeed or not is as yet a little too early to determine. But the outcome of the

plan will be keenly watched by other debtor nations with similar problems, and by democratic opinion the world over as well. Because failure will result in the inevitable return to military rule in Brazil.

MGK

SOVIET UNION

Gorbachev's cautious revolution

The 10-day long session of the 27th congress of the Communist Party of the Soviet Union (CPSU) in Moscow, which began on 25th February, was by no means a mere political extravaganza. Since the induction of Mikhail Gorbachev (54) to the top slot of the world's most powerful ruling communist party in March last year, hopes that the party machinery and the economy would be revitalised were pitched high. The reconstitution of the politburo and several economic policy changes which followed, confirmed this expectation and whetted appetities for a further round of liberalisations to be announced at the party's 27th congress.

In the event, the much awaited party congress proved to be of far-reaching significance. Here, as 5,000-odd delegates resoundingly endorsed the economic and political reforms currently underway in the Soviet Union, the ground was also cleared for burying the last vestiges of the Brezhnev era, which was marked by over-centralisation of control by the party organisation.

Though by no means as thorough as the recent revolution engineered by China's Deng Tsiao Ping, Mikhail Gorbachev's calculated assaults on the inbuilt redundancies of Soviet political and economic life have by far been the most "radical" changes ushered into the Soviet Union, since it was constituted as a socialist republic.

Roots of injustice. The central theme of the discussion that engaged delegates at the 27th party congress was why the Soviet Union had failed to achieve the goals it had set for itself. Partrick Cockburn, writing in the *Financial Times* (7th March), quotes Yefim Yeltsin, the chief of the Moscow unit of the party and a non-voting member of the politburo, as making the following comments which are probably representative of the kind of questions that Gorbachev would ask himself: "Why, after so many years, have we not succeeded in tearing from our life the roots of bureaucracy, social injustice and abuses? Why is it even now that the demand for radical change is bogged down by the inertia of time servers with a party ticket?"

By far one of the harshest speeches ever made at a party congress, Yeltsin's questions no doubt hit at the very root of the Soviet system, *viz.* the process of planning and the use of administrative or "commandist" methods of allocating resources. Not that the ideas being expressed by Yeltsin—and presumably by Gorbachev as well—are new. They have been voiced by a whole generation of "revisionists" even during the Khruschev era. What is new, however, is that such views are being aired at a party congress. This new-found freedom of expression is undoubtedly a part of Gorbachev's strategy of polarising opinion and testing the waters before he takes the final plunge into an era of liberalisation.

Yet, Gorbachev is apparently playing his cards with caution and if the political report presented at the party congress is any indication, he has carefully avoided taking a position in respect to basic structural issues. This may be due to the fact that the party's new supremo still lacks the whole-hearted support of the vast majority of the middle and lower ranks of the party organisation. Besides, Gorbachev is no less constrained by his basic adherence to "goulash communism" (a term coined by Mao Tse Tung to describe post-Stalin Soviet Communist practice based on the use of material incentives to achieve production objectives), which has become the accepted credo of the CPSU since Khruschev's days.

As Patrick Cockburn, quoted earlier, points out: "Mr. Gorbachev's difficulty is...that...broad consensus does not exist when it comes to changing the way the economy is run. Speakers at the congress were not agreed on the extent of change required: should there be structural reform, or will modernisation of equipment and better management suffice to raise growth?"

Reforms package. The latter option has found more favour with the Soviet leadership as it is unlikely to infringe upon the vested interests of a well-entrenched bureaucratic apparatus. Thus, Gorbachev's soft reforms package presented at the party congress includes flexible pricing policies; a reduction in the degree of central plan control for both industrial as well as farm enterprises; and greater incentives to step up productivity and enhance cost effectiveness and efficiency. Through these reform measures—contained in the draft guidelines for the economic and social development of the Soviet Union for 1986-90 and for the 15-year period ending 2000 AD—which had already been implemented in five industry groups during the Brezhnev era, Gorbachev has sought to raise the output levels of all enterprises by granting them economic independence, which is an euphemism for the use of market mechanisms to regulate production levels and productivity.

Yet the fact that there was no opposition to Gorbachev's proposals is an indication that the Soviet economy has performed disastrously over the past few years, and the compulsions to increase growth rates and boost productivity are intense. For instance, GNP



Gorbachev: soft reforms package

growth rates declined from 9% in 1964 to 3% in 1982, while industrial growth rates dipped from 7.3% to 2.9% over the same period.

This downtrend is further compounded by the sectoral imbalances in the Soviet economy, with the primary and extractive industries, such as mining and oil extraction, having accounted for nearly 40% of gross fixed capital formation and about 27% of capital investment in 1984, while the manufacturing sector has taken a back seat.

The new draft guidelines have therefore sought to set right these sectoral imbalances by increasing the outlay on the manufacturing sector through modernisation programmes aimed at elevating the technological levels of Soviet industry and bringing them on a par with international standards. And to facilitate this process, several policy

changes have been envisaged in the now approved 12th five year plan (1986-90), to revamp investment priorities and curtail new projects. These policies are designed to ensure that available resources are concentrated on the modernisation and technical retooling of the existing manufacturing enterprises.

But how soon these reform proposals pass through the bureaucratic maze and get implemented will hinge upon the success of Gorbachev's other big campaign to clean up the country's political and public life, which is famous for its in-built resistance to change. During recent months, the Soviet mass media have exposed more than a few cases of graft and nepotism by public and party officials, in a well-orchestrated bid to root out corruption. Yet, except for intermittent arrests and the suspension of the officials involved, the drive against corruption in public life has attained little by way of positive results so far.

Periodic purges. Habitually distrustful of encouraging mass political movements to prop up party programmes, the Soviet political leadership, not excepting Gorbachev, has relied on periodic purges and reorganisations of the party apparatus as the only means of keeping state and public affairs under its control. This was also evident at the 27th CPSU congress, as Gorbachev moved to strengthen his support base within the party politburo and party central committee by inducting his own proteges into these bodies. Among the significant inductions into the politburo was that of Lev Zaikov, a former party unit chief from Leningrad, who has earlier played a leading role in ousting Gorbachev's arch rival Romonov.

Another significant induction into the party central committee was that of Anatoly Dobrynin, who was the Soviet ambassador to the US for 24 years, and who is now the chief of the party's international relations department. Dobrynin's appointment has assumed significance in the light of the continuing stalemate in the arms control talks with the US. Dobrynin's long-standing relationship with the US administration could be useful in subsequent negotiations with the US, and the indications are that his induction will smoothen the process of detente.

Clear-cut desire. Dobrynin's diplomatic skills have also been sought to put relations with the neighbouring communist giant China—representatives from this country were conspicuous by their absence at the CPSU congress—on a more cordial footing. While there are no party-to-party relations between the world's two giant communist parties, the CPSU congress has shown a clear-cut desire to improve relations with China.

Thus, while the 27th congress has not resulted in any radical departure from the past, it has nevertheless served to give notice of Gorbachev's far-reaching plans for reform, which in time should transform the Soviet Union into a different kind of socialist country. Clearly, the old days of dogmatic Marxism are drawing to a close and the Gorbachev era of market socialism and improved relations with the other big powers, is dawning. The basic thrust of the Gorbachev-inspired changes undoubtedly bodes well for the future, because these changes can only result in a lessening of tensions.

V.A. Acharya

PHILIPPINES

The Marcos legacy

Judging by the extent of international media coverage of the seige and fall of the former Philippine president, Ferdinand Marcos over a two month period which ended on 25th February, he must be one of the world's best known, if least loved figures. And more than a little of the notoriety that Marcos has acquired is related to the staggering size of his personal wealth, amassed over the two decades that he ruled the Philippines with unremitting brutality and force. Estimates of Marcos' overseas holdings of properties and bank balances vary quite widely, but are conservatively estimated to exceed $1 billion or Rs. 1,200 crores. Marcos' official annual income was $5,400, so the sources of this wealth are obvious.

Yet, it is because of the manner in which he wilfully and blatantly manipulated the 7th February presidential elections—under the full glare of over 700 international media corps and a team of US observers—that Marcos received the most attention. Force, fraud, bribery and murder were the techniques that Marcos used freely to rig the polls against opposition presidential candidate Corazon Aquino and her running mate, vice presidential candidate Salvador Laurel. The state controlled commission on elections declared Marcos and his vice presidential running mate Arturo Tolentino winners of the elections. These results were contradicted by the independent National Movement for Free Elections, which awarded the elections to Aquino and her running mate Laurel.

Mass intimidation. But even as Aquino supporters collated documentary evidence of election fraud—mass intimidation of voters by government troops; booth captures; illegitimate alterations of voter lists; bogus ballots and false counts of the votes polled; and the murder of Aquino voters and supporters in an attempt to terrorise the opposition by Marcos agents—US President Ronald Reagan went on record as saying that frauds appear to have been committed by both sides. Successive US administrations have backed Marcos, ostensibly for his pro-US stance, and Reagan was in this instance merely continuing a foreign policy which has supported dictatorships elsewhere for flimsier reasons.

Yet, this time around, both Marcos and Reagan had obviously underestimated the depth of the reaction to Marcos' electoral tactics, as subsequent events were to prove. On 9th February, Aquino gave a call for a mass rally and a peaceful protest against the usurpation of the presidency by Marcos, to which the average Philippine citizen responded with an unprecedented show of solidarity. An estimated 5,00,000 citizens congregated at Manila's Lunetta Park to cheer Aquino and to take on the ailing Marcos.

Subsequent events, unfolding in quick succession, took the Philippine strongman by surprise, and obviously forced the US president into recognising Aquino's presidency. During the election campaign, the Roman Catholic church headed by Cardinal Jamie Sin had all but openly supported Aquino, but came out explicitly against Marcos in the aftermath of the elections. Church controlled radio stations and newspapers in fact became virtual organs of the "people's struggle" to oust Marcos. With over 85% of the population being Catholics, this factor proved to be of overriding importance in the sequence of events that finally resulted in Marcos fleeing the Philippines aboard a US Air force helicopter. Even remote islands were reached over the church radio stations and popular opinion was mobilised in the name of the highly respected Philippine cardinal.

Major fillip. The snowballing movement to oust Marcos was given a major fillip when Marcos' defence minister Juan Ponce Enrile and his cousin and deputy chief of army staff, Lieutenant General Fidel Ramos, mounted a rebellion against Marcos with the help of a



Aquino: economic problem priority

small section of anti-Marcos troops. Ramos' rebellion was motivated by the fact that his succession to the post of chief of army staff—which Marcos had announced on 10th February in a bid to stave off criticism in the US—was being effectively made meaningless by outgoing chief Fabian Ver. Ver had launched a major purge of the army top brass in order to fill key positions with officers loyal to him and to Marcos, making future control of the army from outside simple.

But motivations notwithstanding, Ramos and Enrile catalysed the division of the armed forces into pro and anti-Marcos factions, and by the time Marcos announced his formal swearing in ceremony for 25th February, several army commanders had joined the rebelling duo, in support of Aquino. Marcos threatened to unleash a bloody war of attrition against the rebels—an eventuality that was averted by the blockading of roads by masses of Aquino supporters, and eventually, by the US president's open support for Aquino.

The liberal media within the US and elsewhere also made Reagan's stand in support of Marcos look ridiculous and hypocritical, and the reversal is therefore hardly a matter of credit to the US president.

Yet, the end of the 20-year tenure of the corrupt and brutal Marcos regime is by no means the end of troubles for the Phillipines. Aquino has inherited an economy beset with grave difficulties—the legacy of Marcos' "crony capitalism"—and her political base within the country is by no means secure. Though the Maoist inspired New People's Army (NPA)—a movement of armed peasants which in recent years has grown to sizeable proportions—has not openly opposed Aquino and the UNIDO party which supports her, Aquino's avowed anti-Marxism could soon lead to confrontations with the NPA and force her to adopt the same repressive measures that Marcos had used to contain the rebellion in the countryside.

The possibility that the medley of opposition political parties which had rallied behind Aquino will now manipulate the president, reducing her to a mere figurehead, is also not ruled out. But the most serious problem by far that Aquino confronts is the economic one. Marcos' rule has left the economy in tatters: the gross national product actually contracted for two years in succession (1983-85) and per capita incomes have declined from $720 in 1981 to $600 currently. The country is also saddled with an external debt of a staggering $26 billion, the servicing of which accounted for 40% of the country's export earnings in 1983, just before Marcos declared a temporary moratorium on repayments.

Alternative policies. Dismantling the disastrous regime of price and credit controls, and the state and privately owned trade and financial service monopolies, which Marcos had erected in order to put the control of the economy in the hands of his "cronies" and himself, is also unlikely to be an easy task. This is because the creation of alternative institutions and policies will require time, and time is something that Aquino may not have.

Writing in the *Far Eastern Economic Review* (6th March), Guy Sacerdoti and Rodney Tasker sum up the situation thus: "While a tremendous opportunity for freedom and economic growth had opened in an instant, three tasks of national recovery posed serious problems for Marcos' successors. He (Marcos) left an econorny in tatters, government and business systems geared more to patronage and corruption than to hard work and merit, and a people whose swift emancipation from long years of authoritarian rule could threaten to bubble over into lawlessness bordering on anarchy."

Aquino has given notice that she intends to hock off as many state-owned trade and service monopolies as possible and also unfreeze the prices of agricultural commodities such as sugar and coconuts, which together account for 70% of the nation's exports.

But how she plansto dismantle the culture of patronage and pelf that has now taken firm roots after the example of Marcos, is as yet unclear. Another serious problem is an acute shortage of investible funds. Growing political uncertainties during the last quinquennium of Marcos' rule resulted in a massive flight of domestic capital overseas, even as the inflow of foreign investments came to a virtual halt. Aquino obviously hopes to be able to reattract a major part of the estimated $30 billion that Filipinos have smuggled out of the country as a hedge against uncertainty, and moves are now underfoot to force the US government to seize the estimated $5 billion taken out by Marcos and his friends.

It could however take years before Philippine citizens feel confident enough to bring their monies back, and Marcos' wealth could be immobilised by litigation for an equally long period. The immediate prospects are therefore unencouraging. It is against this background that as yet unarticulated fears that Aquino will lean increasingly on the US to bolster her regime—just as Marcos had done before her—take on an ominous character.

Strategic location. The Philippines under Marcos received an average of over $800 million every year by way of rental payments, aid and credits from the US. In exchange, the US has permission to maintain seven military bases in the Philippines. The US has hitherto been more than willing to pay this price for the right to have these bases—which include the Clark Airforce base and the Subic naval base, the two largest US military bases outside the US—because of the strategic location of the Philippines. The archipelago comprising 7,107 islands, is located in the south China sea, 750 miles east of Vietnam and somewhat closer to mainland China. A US presence in the Philippines is therefore considered to be vital to US global objectives of controlling the influence of communist regimes in the region. The Philippines is also within easy reach of Japan, in the defence of which it could prove to be of strategic importance.

Yet, the Philippines has had to pay a heavy political price for the US military presence within its boundaries. Since the primary objective of the US presence is the containment of communist influence, the US has used its aid and other assistance to force Philippine administrations to take a tough line with communist insurgency within the archipelago. This has inevitably resulted in a curbing of democratic liberties and the politicisation and corruption of the armed forces, which then

tend to become an autonomous centre of power.

As things stand, the Aquino regime is in urgent need of US financial assistance, in exchange for which it will not only have to ensure the continuance of the US military presence in the Phillippines, but also do the bidding of the US in curbing the communist threat. But should it do either, it will inevitably provoke a reaction from the left wing of the UNIDO and the other parties that have supported Aquino as also the determined opposition of the presently neutral NPA. Should this happen, not only will developmental funds be wasted in combating the political opposition, but Aquino could find herself in the same anti-democratic trap that ensnared Marcos.

Not that Aquino is likely to go as far as Marcos did in suppressing civil liberties and promoting corruption. From all appearances, her instincts are deeply averse to such possibilities. But dictators are as much products of historical circumstances as of personal inclination. In the Philippine context, the US constitutes the *deux ex machina* and only it can determine in the final analysis, just which way the Aquino regime will go. But just as in the US, democracy is sadly a Janus-faced monster which does a flip when the circumstances are ripe. The fresh face of democracy now visible within the Philippines could thus quickly metamorphose into its ugly reverse if the US doesn't back Aquino with massive infusions of financial aid without twisting her arms to do its bidding. Such altruism is however uncharacteristic of Reagan's foreign policy. From all appearances, the ushering in of democracy is thus likely to be only a relatively brief interregnum in the country's evolution.

Michael Neri

CUBA

A middle-aged revolution

In Cuba this is the time of the *zafra*, the sugar harvest. Up and down the island every resource is being mobilised for what is still the country's principal economic activity: the production of sugar and its derivatives.

The *zafra* is normally followed closely in the press with reports couched in language more suited to some arcane sports fixture. Rival teams of cooperatives vie to produce more and individuals toil to become celebrities by winning the accolade of "millionaire" for the amount of cane cut.

But this year public discussion of the *zafra* is muted. Word has gone out that the harvest is little short of disastrous. A combination of drought and damage wrought by Hurricane Kate last autumn could reduce the original target of eight million tonnes to below seven million tonnes. This means that Cuba will almost certainly be unable to meet its commitments to supply the Soviet Union and other countries in the COMECON bloc.

In the past this would have mattered little. Cuba has traditionally been viewed as the weak infant in the COMECON family, whose strategic position in



Castro: mellower mood

the Caribbean on the doorstep of the US automatically ensures Moscow's indulgence. But with the arrival of Mikhail Gorbachev in the Kremlin—and his new emphasis on economic efficiency—the clear directive to Fidel Castro is that Cuba's performance must improve. The message from Moscow, in short, is that international solidarity among socialist countries should not be taken to mean that some can live on a permanent soft subsidy.

These new pressures on Cuba come at a time when the economic battle has already superseded the earlier and more basic struggle to ensure the survival of the revolution against US attempts at destabilisation. In the 26th year since the end of the Batista regime, middle age has overtaken the Cuban revolution.

Mellower mood. The larger than life figure of Fidel still strides the Cuban stage but he is mellower, less dogmatic. His flowing beard has thinned and turned grey and the trade mark cigar has gone. Since last August he has given up smoking in public, and although he is remarkably fit in his 60th year, the strain of running Cuba for the past two and a half decades has taken its toll. His mellower mood has even led him to muse on the attractions of liberation theology, while his political nose has led him to embrace the debt issue and to find new acceptance in Latin America.

The new relationship with Eastern bloc countries was underlined last month when Castro revealed at the third congress of the Cuban Communist party that the country had been obliged to buy some 500,000 tonnes of sugar on the open market to make up the shortfall in its COMECON commitments.

But while the announcement was greeted with loud applause the reality for those managing the Cuban economy is more sober. This year's hard currency earnings from free market sales of sugar, which Cuba originally hoped would be about US $230 million (Rs. 276 crores), could be nearly wiped out by the need to buy for COMECON.

Although the more hard-nosed Soviet attitude has imposed strains, the effect is not nearly as severe as some analysts in Washington would pretend. More important is the way in which recent developments have highlighted the growing distortions and contradictions created by Cuba's dependence upon the Soviet Union and its allies.

Since the US blockade of revolutionary Cuba, the Castroite experiment in socialism has been subsidised in four main ways: through the provision of oil supplies to make up for the country's energy shortage; through the purchase of sugar at a fixed price above the market rate; through soft trade credits and grants; and through military assistance.

Senior Cuban officials decline to comment on western diplomatic assessments that East bloc assistance amounts to the equivalent of $4 billion (Rs. 4,800 crores) a year. Nevertheless they do admit that, especially during the last four years when other Latin American countries have seen the flow of aid and fresh money dry up, Cuba has not suffered in the same way—thanks to its Soviet allies.

Tremendous cushion. Of particular importance have been the oil supplies and sugar purchases, the latter often at five to six times the market price. This has been a tremendous cushion against the effects of a slack sugar market that has so damaged other Caribbean econo-

mies. But it has equally encouraged the Cuban authorities to concentrate too much on sugar at a time when all other economies in the region have been seeking to lessen their vulnerability through diversification. The new five year plan now being launched perpetuates the predominance of sugar, again through a high guaranteed price for the commodity.

Russian energy supplies represent a more curious distortion. The Soviet Union is understood to supply approximately 10 million tonnes of crude and products a year. Any saving that Cuba can make either in the form of higher domestic oil production or rationalisation of energy use frees a part of this 10 million tonne Soviet supply for hard currency sales. Last year sales of this "surplus" crude were worth over $600 million (Rs. 720 crores), according to officials at the National Bank of Cuba. Put another way, Cuban sales of surplus Soviet crude account for over half the island's hard currency earnings. They have become the mainstay on which Cuba has relied to purchase western goods and technology.

Not surprisingly, the slide in international oil prices has been viewed with alarm in Havana since all its sales are spot. The combination of lost oil earnings with open market purchases of sugar for COMECON could mean at least a 25% shortfall in expected hard currency earnings this year. This is bound to put a strain on Cuba's ability to service its $3.2 billion (Rs. 3,840 crores) foreign debt with western creditors which it has been punctilious in repaying until now. Furthermore, it will keep Cuba within a vicious circle: the country needs to diversify its trade and earn more hard currency, but to do so it has to have access to western credit.

The pressure may be eased within the next three years when the first of three Soviet-supplied nuclear power plants is due to come on stream. But Cuba's nuclear power programme is at least five years, perhaps seven, behind schedule. The same applies to plans to raise nickel production capacity from 40,000 tonnes to 100,000 tonnes a year. COMECON is investing some $1.6 billion in this project which is nearly five years behind schedule. Nickel is an important potential hard currency earner provided Cuba can produce efficiently and in large enough quantities.

Committed Marxist. For Cubans of all walks of life, Cuba without Fidel is unthinkable. That a committed Marxist in a state ruled by a tightly-run communist party should feel free to indulge in theological discussions and talk freely about his Catholic upbringing underlines the extraordinary individuality of Cuba's leader and of Cuba itself in the context of socialist countries.

Aware of his own mortality, however, Fidel has sought to prepare the succession. This was one of the main aims of the party congress which conferred the mantle of succession unequivocally on his younger and more introverted brother, Raul, aged 54. Raul's wife, Vilma Espin, a prominent figure in her own right as leader of the Cuban Women's Federation,has joined the 14 person politburo. So has Raul's deputy in the armed forces ministry, Abelardo Colome. By opting to keep the succession in the family; Fidel hopes to transfer his moral prestige with all the other advantages of trust.

Of equal significance has been the congress's decision to introduce new faces and younger blood into the higher echelons of the party. A third of the 146 strong central committee has been changed. Four of the old guard guerrilla commanders have been dropped from the powerful politburo, including Ramiro Valdes, who lost his job as interior minister in December for being, among other things, too much of an old school hardliner.

Cuban socialism, a centrally planned economy according to the tenets of Marxism-Leninism, has become ever more of a tropical hybrid.

Cuba continues to be one of the most highly mobilised societies in the world, starting with school children who join the Jose Marti pioneers (a politicised boy scout/girl guide equivalent),through to neighbourhood defence committees (committees for the defence of the revolution—CDRS). The CDRS incorporate 83% of the population over 14, or some 6.5 million people. Beyond this is the vanguard of 532,639 in the Communist party.

Permanent vigilance. Such organisation reflects the regime's deep-felt insecurity. From an early age, Cubans are taught the need for permanent vigilance against the dirty tricks of the CIA and the exiles in Miami. The authorities are afraid to drop their guard, but the Sunday militia training sessions, where groups of men and women learn to strip AK-47 rifles or prepare booby traps, have a more informal air in the main city squares. The CDRS themselves are now more concerned with the organisation of vaccination programmes or the monitoring of local crime than denouncing counter-revolutionary neighbours.

Since Ramiro Valdes's departure from the interior ministry, the mood of relaxation has been palpable and there has been a slow but clear liberalisation in all aspects of Cuban life.

Even the notion of property has been turned on its head. In the past 12 months, Cubans have been able to purchase their own homes. Instead of paying rent, equivalent to 10% of salaries, they can convert this into a "mortgage"—the difference being that they become responsible for repairs and enjoy rights of inheritance. So far 200,000 home ownership deeds have been handed out in a population of 10 million. As a result, an unofficial house market has grown up. The new economic plan proposes the construction of 180,000 private homes, the same number as the state is due to build. Another experiment is peasants' markets, where surplus goods produced by farmers are sold at street prices.

Such developments are now taken up and parodied in films and theatre. Cubans these days often surprise visitors by the candour of their complaints—the cumbrous system of ration cards, the labyrinthine bureaucracy that alienates citizens behind mountains of cheaply printed forms.

No one is more critical than Fidel. Take this catechism of woes from his report to the party congress: "An inadequate and unstable supply of consumer goods, particularly clothing, footwear, home furniture and linen, as well as lack of variety, inappropriate sizes, poor finishing and outdated and repetitive designs, aggravated by irrational distribution."A visit to any shop or department store invariably reveals shoddy goods, limited choice and long queues.

Attempts to be more sensitive to consumer needs followed the exodus in 1980 of 120,000 Cubans disillusioned with the system. But the growth of disposable incomes has not been matched by supply. Those with access to dollars can buy in hard currency shops but most have to put up with high prices on the free market (rationing covers just under a third of consumer goods). Meanwhile, the visitors live almost exclusively in a dollar economy, including special dollar-denominated taxis.

Welfare state. Discontent with the lack of consumer goods is greatly mitigated by the all-embracing welfare state, especially in the fields of health and education. The Cuban average diet of 3,000 calories per day is exceptionally high for Latin America. With single-minded dedication, tropical diseases have been conquered and illiteracy wiped out in rural areas, making the Cuban peasant the best off in the region. Cuba has one doctor per 480

inhabitants and it shows in the strapping health of the school children.

These are genuine achievements. But the Cubans are increasingly aware that the welfare state is a luxury underpinned by a superpower rather than domestic resources—and a superpower which is keeping an increasingly watchful eye on this subsidised Caribbean experiment in socialism.

Robert Graham
(By special arrangement with the Financial Times, London)

SOUTH KOREA

Gathering storm

The South Korean government's current crackdown on dissident activities by students and the main opposition New Korea Democratic Party (NKDP) has included an element of panic that does not bode well for the country's political stability.

Faced with an NKDP signature drive seeking support for a constitutional revision to allow for a direct presidential election, the government has denounced the drive as illegal and raided NKDP offices and dissident groups' headquarters in search of materials related to the drive.

In six days of incidents across the capital, opposition leaders Kim Dae Jung and Kim Young Sam were put under house arrest, their homes surrounded by hundreds of riot police, and at least 80 of their followers from the NKDP and the oppositionist Consultative Committee for the Promotion of Democracy (CCPD) were arrested. Police also raided more than 100 universities across the country in search of materials related to the signature campaign.

The NKDP's signature drive has been in the works for several months. A year ago, party candidates in their first national assembly election pledged to put the constitutional revision at the top of their agenda. Under the existing constitution, which was created in 1980 soon after President Chun Doo Hwan came to power, a president is to be chosen by an electoral college when Chun's term is up in early 1988.

However, the NKDP has failed in its increasingly desperate efforts to debate the revision in the assembly with Chun's Democratic Justice Party (DJP). The DJP refuses to discuss the issue and Chun, in a New Year's speech, called on the opposition to postpone debate on the issue until after the 1988 succession and the staging of the Seoul Olympics in the same year. But he warned that politicians who "ignore the parliament and resort to illegal means... ought to be prepared to face stringent public judgement in one form or another."



Chun: postpone debate

Deeply committed. When the signature campaign was launched on 12th February, on the first anniversary of last year's assembly elections, opposition leaders said they were confident of getting 10 million signatures by 15th August—South Korea's Independence Day. Kim Dae Jung, co-chairman with Kim Young Sam of the CCPD, a coalition of extra-parliamentary oppositionists, said: "We are confident that we can reach our goal because our commitment is so deep." The government, he said, "is not confident, because they know a huge number of people agree with our cause."

The next day, Kim Dae Jung's house was surrounded by hundreds of riot police and his telephone was cut. Attempts by 150 of his supporters to enter Kim's home ended in fights with the police, who later briefly detained 16 of them—including Kim's brother. Speaking at a press conference, justice minister Kim Seung Ky hinted that the government might reimpose a suspended 20-year jail sentence for sedition on Kim, who is officially banned from politics, "if conditions warrant that."

Also on the morning of Kim's house arrest, police descended on the CCPD's offices. Prevented by the authorities from entering the offices, Kim Young Sam spent nearly five hours in the street protesting against the action, describing the government's tactics as "virtual martial law." He was finally dragged into a car by the police and driven to his home where, some days later, he was put under house arrest.

Also on 13th February, police raided the NKDP's party headquarters in search of the petition or related materials. Police initially barred NKDP members—including some assemblymen—from entering their offices, and a number of NKDP and CCPD members were detained. Although no assemblymen were detained, NKDP leader Lee Min Woo was one of several assemblymen questioned by the police in their homes. The government says that assemblymen are not breaking any law by signing the petition. However, the authorities say they plan to question all signatories.

Anti-dissident police activity on university campuses, which are closed for winter recess, has also been stepped up. On 15th February, the authorities made a nationwide sweep of 129 colleges and universities, reporting that they had confiscated subversive literature, placards, knives and fire bombs. Earlier, the police, surprised by the size and ferocity of a rally in support of the proposed constitutional revision at Seoul National University, clashed with the 1,000 student demonstrators.

A recent police statement said 449 students were arrested in the first 40 days of this year — more than twice the number in the first eight months of last year. Police say they are seeking about 40 student activist leaders, and they have been searching for them in their homes and in inns near the campuses. Rewards of Won 200,000 (Rs. 2,640) are being offered for information leading to their capture.

Camouflaged violence. While the government says signing the constitutional revision petition is not illegal, it argues that the petition itself does violate the law. The justice minister called the petition effort a "camouflaged act of violence discarding constitutionalism and parliamentary democracy." Although the constitution recognises the right of citizens to organise and sign petitions, such is not the case when the petition is aimed at changing the constitution itself, the government says. Petitions, it argues, can only question

existing laws or policies of government agencies—only the president or a majority in the national assembly can change the constitution.

DJP spokesman Shim Myung Bo said: "The signature campaign... is not intended actually to revise the constitution, but to agitate the public in support of partisan interests and political ambitions of specific individuals."

The supreme prosecutor's office announced on 11th February that persons involved in the signature campaign could be charged and sentenced to up to seven years' imprisonment under a number of laws, including those which forbid public assembly and obstructing road traffic. "They are interpreting the law according to their own will," complained NKDP spokesman Hong Sa Duk.

Commenting on the government's move against the signature campaign, a US state department spokesman said at a recent briefing in Washington: "We believe that it is inconsistent with basic democratic principles to deny citizens the right to petition their government."

For the government, the risks are high: the tougher it gets, the more united the opposition—politicians, students, Christian activists and labour—may become. The goal of 10 million signatures in six months, almost half of the electorate and a quarter of the population, is high and the machinery for gathering them is uncertain. But the unifying effect of the campaign could be marked.

Burning issue. A year ago, the NKDP was able to garner just under 30% of the vote in the assembly elections only a month after the party's formation. Since then, students and other activists have become impatient with its failure to achieve its aims in the assembly. The signature campaign is likely to become a burning issue on campuses during the coming term, bringing the NKDP closer to its more radical supporters, while at the same time drawing the political limelight away from the national assembly.

Kim Young Sam said only about 200 signatures were collected before the government's crackdown, most of them from NKDP and CCPD members. Collecting more, he said, has become impossible, but he added: "This is not a difficult problem. Although the numbers are still small, the impact has been huge—people can see for themselves how violent this government can be."

Paul Ensor
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

LETTER FROM KUALA LUMPUR — **WONG SULONG**

Crisis of confidence

Malaysia is facing a crisis of confidence, highlighted by the sudden resignation of Datuk Musa Hitam, its respected deputy prime minister, in a clash with Dr. Mahathir Mohammed, the country's leader. In resigning from the cabinet and as deputy president of the ruling United Malays National Organisation (UMNO), Datuk Musa cited "irreconcilable differences" with Dr. Mahathir who, he said, had accused him of disloyalty—a most grievious sin in Malay politics—and had bypassed him over major decisions.

The resignation sent shockwaves across the country which is already experiencing great difficulties. The once buoyant economy and stockmarkets are facing a severe downturn, threatening to bring about the collapse of a good number of prominent businessmen; political and financial scandals continue to haunt the government; and Islamic extremism is on the upsurge.

Serious repercussions. At a time of low national morale, the repercussions of Datuk Musa's resignation are serious and the outcome of the power struggle will probably dictate the course Malaysia will take for the remaining part of the century.

It had been known for some time that the two leaders had had differences, but few expected Datuk Musa to make such a drastic move. He had little choice as he was being increasingly hemmed in by Dr. Mahathir's confidants.

UMNO is sending a mission to London, where Datuk Musa is at the moment, to try to persuade him to reconsider. But in the absence of substantial concessions from the prime minister—and Dr. Mahathir shows no signs of making any—the split appears to be final.

Utusan Malaysia, the country's largest daily paper, and controlled by the party, has expressed alarm at such an event in a front-page editorial. It also raised the spectre of the Malays losing their political supremacy in the country because of disunity.

Dr. Mahathir and Datuk Musa assumed the national leadership in 1981, and their dynamic "2M" partnership caught the imagination of Malaysians, who gave them the biggest general election victory ever in 1982.

The two men first clashed on the management of the economy, including Dr. Mahathir's ambitious heavy industrialisation plans, and his "Look East" policy of emulating the Japanese economic model.

Datuk Musa's refusal to sanction a power grab by Moslem groups in Sabah after last April's state elections, thus allowing the victorious Christian opposition party to form the government, enraged Dr. Mahathir.

But the most important issue is the question of the succession. UMNO has ruled Malaysia since independence 29 years ago, and three party deputies have succeeded to the prime ministership over the period in orderly fashion.

Dr. Mahathir (61), feels his deputy aged 53, is being impatient and that he should continue to serve loyally until his time comes. But Datuk Musa's supporters can see no sign that Dr. Mahathir is preparing to transfer power.

"By appointing Daim Zainuddin as finance minister, making Sanusi Junid as UMNO secretary general, and allowing Anwar Mibrahim to move freely among the grassroots as agriculture minister, Dr. Mahathir has effectively isolated Musa, and thrown the succession issue wide open," says a senior UMNO politician from Johore, Datuk Musa's home state.

Early election. At the moment, the odds are stacked heavily in Dr. Mahathir's favour. He might well be tempted to call for an early general election, allowing him to put up his own candidates, and after securing a five year mandate, start purging the party of Datuk Musa's supporters. He could also wait until the expiry of the present government's term in April next year, and meanwhile set about enticing Musa supporters to switch. He could also show support for Tengku Razaleigh, the trade and industry minister and Datuk Musa's arch rival. Tengku Razaleigh fought Datuk Musa twice for the UMNO deputy presidency, each time securing a good 40% of the votes.

These options have their own attractions and risks. But ultimately, Dr Mahathir needs to rebuild his tarnished image and credibility and put the nation's economy on the right track if he is to stay in power. It is not an easy task.

BRITAIN

Pilkington's latest acquisition

■ Pilkington Brothers plc. (PB), the largest glass manufacturer in the UK, is set to become the world's biggest manufacturer of flat glass. According to a recent news report, the company has signed an agreement to buy the glass manufacturing and processing division of Libbey-Owens-Ford Co. (LOF), the second largest US glass manufacturer. PB is exchanging its 29.5% equity holding in LOF—valued at $296 million (Rs. 355 crores)—for the latter's glass division. The agreement also envisages the transfer of a $70 million (Rs. 84 crores) debt liability from LOF to PB and gives permission to the latter to use the LOF name in the US.

The acquisition will not only give PB access to the US market, but will also make it the single largest supplier of automotive glass in the US. The company's share of this market will consequently go up from 12% to 18%.

In 1982, when PB acquired its stake in LOF, the glass division was making losses—operating losses were over $34 million (Rs. 41 crores) in the three years to 1982. However, after a streamlining and job cutting programme, it returned to profits—in 1985, sales revenue was $690 million and operating profits were in the region of $47 million.

This latest buy is PB's second major acquisition and is part of its expansion programme. In 1980 PB bought a majority share—62%, later raised to 77%—in Flaschglass, a leading West German glass manufacturer.

USA

BAC rejects takeover bids

■ Recently, even Bank America Corporation (BAC)—the second largest US bank holding company—has been the target of takeover bids and offers of financial aid. Though the company has suffered losses over the past few years—in 1985, it suffered a net loss of $337 million (Rs. 404 crores) after a loan loss of $1.6 billion (Rs. 1,920 crores)—it is still viewed as a good buy.

In early March, BAC rebuffed an informal merger proposal from the Los Angeles-based First Interstate Corporation, the ninth largest bank in the US. It also turned down for the second time, a highly unusual offer from American Express Co.'s former president Sandy Weill to raise $1 billion in new capital if he were made the chief executive and allowed to insititute certain management changes. However, BAC has announced a management restructuring programme and has said that it is not negotiating a merger with First Interstate "or anyone else."

SWEDEN

Ericsson ties up with DEC

■ Ericsson (LM) Telephone, the Sweden-based telecommunications and electronics group (sales: $3.58 billion or Rs. 4,296 crores in 1984), has signed a collaboration agreement with the world's second largest computer manufacturer, the Massachusetts (US)-based Digital Equipment Corporation (DEC—sales: $5.5 billion or Rs. 6,600 crores in 1984), for the development and manufacture of information systems for the banking sector.

Currently, Ericsson uses either its own computers or IBM mini-computers for its banking systems, but in the long run it plans to switch over to DEC computers, according to company officials. And under the terms of the agreement for the joint venture, Ericsson will be the prime manufacturer of information systems. This is the second such agreement Ericsson has made with a US manufacturer in the information systems sector. Earlier it had tied up with the US-based Honeywell for the development of a modified version of Ericsson's MD110 PABX (private branch exchange) for the US market.

USA

White Consolidated's merger

■ The third largest domestic appliance manufacturer in the US, the Cleveland (US)-based White Consolidated Industries Inc. (sales: $1.94 billion or Rs. 2,328 crores in 1985), has finally succumbed to the sweetened takeover bid which entails an offer of $42.6 million or $47 per share by the largest manufacturer of domestic appliances in Europe, the Sweden-based AB Electrolux (sales: $5.5 billion or Rs. 6,000 crores in 1985). The management of White Consolidated has asked its shareholders to surrender their shares to Electrolux and has granted Electrolux an option to buy enough shares at $47 per share to give it a controlling stake of 18.5% of its equity. The two companies also plan to sign a merger agreement.

AB Electrolux—which *inter alia* manufactures Eureka vacuum cleaners, Tappan appliances, kitchen cabinets, chain saws, small refrigerators and airconditioners for cabins—first offered $43 per share of White Consolidated in end February. The management of White Consolidated rejected the offer and Electrolux promptly raised the offer to $45 per share. The management of White Consolidated rejected the offer again and sued Electrolux to block the tender on grounds that the latter had violated US securities regulations and that a takeover by Electrolux would violate antitrust laws. Meanwhile, Electrolux jacked up its offer again to $47 per share and the management of White Consolidated accepted the offer.

According to market analysts, the merger will heighten competition in the already highly competitive domestic appliance business in the US. White Consolidated manufactures such well-known brands as Frigidaire, White Washing House, Kelvinators and Gibson appliances.

ADVERTISING

S&S' new acquisition

■ Saatchi & Saatchi plc. (S&S), one of the major advertising agencies in the world (annual billings: £1.3 billion or Rs. 2,210 crores in 1985), is negotiating to acquire Dancer Fitzgerald Sample Inc. (DFS), the 13th largest agency in the US (annual billings: $876 billion or Rs. 1,051 crores in 1985), a move which will strengthen its position in the advertising business. This is a part of S&S's expansion and diversification programme in the US. Recently, S&S acquired Compton Agency and some market research organisations such as Yankelovitch, Skelly & White and management consultancy concerns such as the Hays group. By taking over DFS, it will also secure important clients such as General Mills Inc. and Procter & Gamble.

In order to prevent the defection of DFS clients who might fear loss of confidentiality after the takeover (given that S&S and DFS have competing clients such as Nissan and Toyota), S&S has chosen to make the deal through a complicated arrangement. Five key DFS executives will use a $75 million loan from S&S to buy out DFS' minority shareholders. S&S will thereafter have the option to acquire DFS at any time, which it plans to do some time in the future.

MANGALORE CHEM

Maiden dividend expected

There are good tidings in store for the shareholders of Mangalore Chemicals & Fertilisers Ltd. The company has turned out highly satisfactory results for its year ended 31st December 1985 and a maiden equity dividend of at least 15% is on the cards.

Though the accounts of the year (1985) are yet to be finalised, it is reliably learnt that the company's sales have crossed the Rs. 200 crore mark during 1985 *cf.* Rs. 156 crores recorded during 1984. The gross profit during 1985 has exceeded Rs. 30 crores *cf.* Rs. 24 crores recorded in the previous year.

The company's prospects for the current and coming years are considered to be all the more encouraging as the demand for fertilisers is moving up and at present the country imports a sizeable quantity of fertilisers. In addition, the commissioning of the purge recovery plant will improve the profitability of the company as this will reduce the consumption ratio of expensive inputs such as naptha.

HERDILLIA

Unexciting outlook

The current year's (1st July 1985 - 30th June 1986) outlook for Herdillia Chemicals Ltd., the Bombay-based manufacturer of heavy organic chemicals, is unexciting.

The growth rate of the company's sales has slowed down and its margins are under pressure on account of large scale imports of phenol and excess capacity for the manufacture of phthalic anhydride and plasticizers — some of the main products manufactured by the company. As a result, the sales turnover of the company which had gone up by over 22% during 1984-85 has not increased by even 10% during the first half of its current year. What is more, the gross profit which had shot up by as much as 65% during the last year (1984-85), has registered a 14% fall during the first six months of the current year.

The outlook for the second half of the current year is also not very encouraging and thus the overall performance of the company during 1985-86 will be far from exciting.

However, the long-term prospects of the company are highly promising. Its two new projects, *viz.* the manufacture of capacitor fluids (in technical collaboration with General Electric, USA) and the alkyl phenols, are under implementation. Meanwhile, the company has already secured a letter of intent to manufacture entylene, propylene, sophorone, copolymers and meta-xylenol. It is also planning to float a new company for the manufacture of magnetic iron oxides (used for coating audio, video and computer tapes) and a joint sector project for the manufacture of polybutanes.

ORIENTAL CONTAINERS

Expansion plans

Oriental Containers Ltd. — a Somani group company engaged in the manufacture of metal containers, pilfer proof caps and aluminium collapsible tubes — is doing quite well in its current year ending 30th September 1986.

If the actual half-time performance (1st October 1985 - 31st March 1986) is any indication, the company's sales during the current year will increase by at least 25% and the gross profit will move up by at least 30% over that of the previous year.

The growth rate in sales and profits of the company is most likely to improve further in the coming year (1986-87) as it has taken up the implementation of a Rs. 4 crore expansion and modernisation programme, which will be completed by the beginning of the new financial year commencing 1st October 1986.

Companies this fortnight

(Rs. crores)

	Mangalore Chem (year ending December)			Herdillia (year ending June)			Oriental Containers (year ending September)		
	1982	**1983**	**1984**	**1983**	**1984**	**1985**	**1983**	**1984**	**1985**
Sales	106.38	96.21	156.30	43.50	53.16	64.84	11.31	11.27	13.35
Gross profit	10.12	9.41	24.17	2.93	4.71	7.79	0.80	0.94	1.21
Paid-up capital	15.41	15.41	15.41	7.35	7.35	7.35	0.33	0.28	0.28
Reserves	−7.26	−5.28	6.25	8.33	9.42	10.87	1.13	1.56	2.15
Gross fixed assets	75.50	87.75	105.12				2.69	3.98	4.52
Dividend (%)	Nil	Nil	Nil	10.00	18.00	18.00	20.00	30.00	40.00
Earnings per share (Rs.)	0.62	1.37	9.06	1.76	3.27	3.77	105.00	121.50	255.00
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	100.00	100.00	100.00
Market price as on 14th March 1986 (Rs.)			62.00			45.00			300.00*

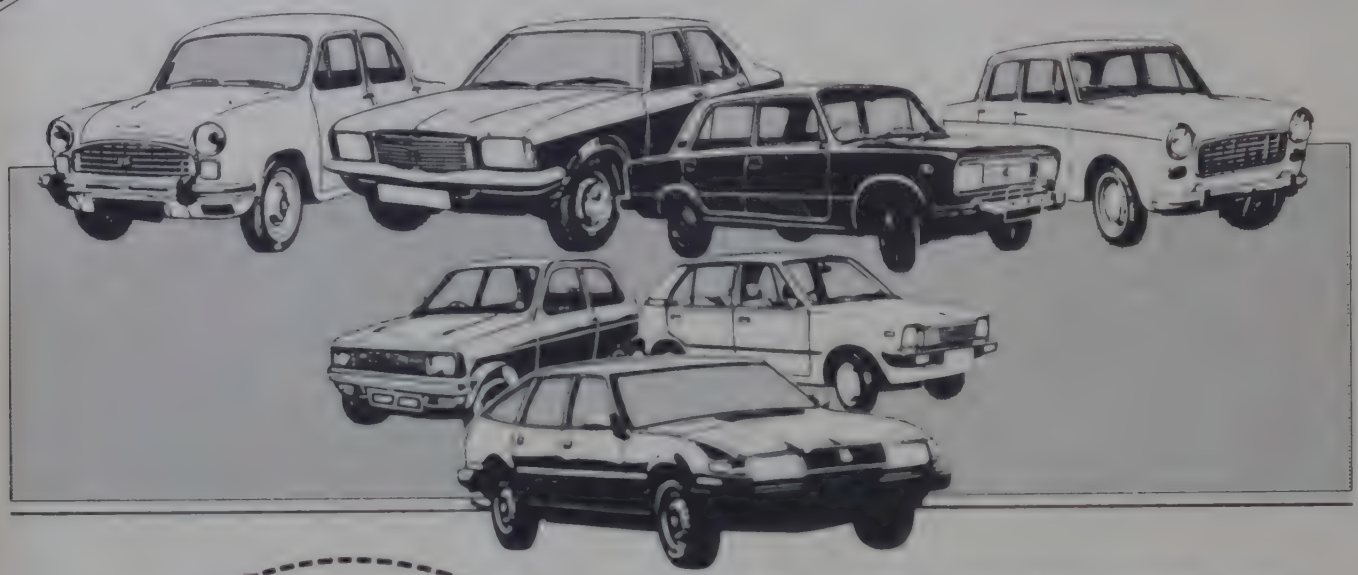
* *quoted unofficially*

A significant contribution

SAFEX

Tinted Toughened Automobile Glass

The anti-glare automobile glass that works night and day to make the going safe and comfortable



Distinctive features

- SAFEX tinted toughened glass cuts headlight glare and solar light transmission
- SAFEX tinted toughened glass reduces solar radiation
- SAFEX tinted toughened glass is eminently suitable for both air-conditioned and non-air-conditioned cars.
- SAFEX tinted toughened glass adds class to your car
- Replacements easily available
- Disintegrates into harmless granules on impact

SAFEX
AUTOMOBILE GLASS

at the focal point of the auto revolution

CAUTION

Avoid using glasses pasted with tinted films.
Because :

- Original glass will be spoilt and decomposed
- Requires frequent replacements
- Unhygienic on prolonged use

ISG PRODUCTS

HINDUSTHAN SAFETY GLASS WORKS LIMITED
Head Office: 2, ST. GEORGES GATE ROAD, CALCUTTA 700 022
PHONE : 45-0125 (3 LINES) • CABLE : DEVGLASS • TELEX : 021-7700

Released by **INDIA TRADES AGENCY.**

GRIFFIN

Bayer's good show

Bayer (India) Ltd., the Calcutta-based manufacturer of chemicals, pesticides and pharmaceuticals, recorded good results for its year ended 31st December 1985. This is despite the poor results of its pharmaceuticals division due to the restrictions on this sector. According to a company press release, "better capacity utilisation, effective cost control measures and a proper product mix backed by competitive marketing strategies," contributed to the 35% increase in net profit which aggregated to Rs. 3.85 crores *cf.* Rs. 2.86 crores in 1984. Sales turnover increased by 12% to Rs. 92.2 crores.

Accordingly, the board of directors has recommended a special dividend of 4% in addition to the dividend of 18% already paid.

TBL's lower dividend

The Bombay-based Tata group company Tata Burroughs Ltd. — which manufactures and exports computer software and hardware (peripherals) — has announced its results for its year ended 31st December 1985. According to a company press release, due to a "significant fall in the sale of manufactured products from SEEPZ, owing to severe competition from manufacturers in Japan and the Far East," the sales turnover has declined by 15.8% to Rs. 13.13 crores from Rs. 15.59 crores in 1984. However, profit after tax has increased by 7% to Rs. 2.62 crores from Rs. 2.45 crores in 1984. The board of directors has proposed a dividend of 62.5% on the enhanced share capital *cf.* 172% paid last year.

The company's new projects to manufacture MICR equipment and microprocessor-based computers are progressing on schedule. Its Delhi-based centre, which offers computer consultancy services to clients in India and abroad, has been commissioned. Plans to set up similar centres in Bangalore and Madras are also being finalised.

TIIL's improved results

The Madras-based Tube Investment of India Ltd. (TIIL), engaged in the manufacture of steel tubes has fared well in its accounting year ended 31st December 1985. The sales turnover of the company has crossed the Rs. 100 crore mark and at Rs. 111.96 crores it is 23% higher than the Rs. 90.98 crores recorded in the previous year, while profit after depreciation has improved to Rs. 5.92 crores from Rs. 5.01 crores in the previous year i.e. by 18.2%. The board of directors has recommended an equity dividend of 18% (*cf.* 20% paid in the previous year) on the enhanced capital base consequent upon the recent issue of bonus shares in the ratio 1:3.

BASF maintains

BASF India Ltd., the well-known Bombay-based synthetic tanning agents manufacturing company, has reported improved working results for its year ended 31st December 1985. The sales turnover of the company has increased by 15.4% to Rs. 38.31 crores from Rs. 33.18 crores in the previous year. However, the gross profit is marginally lower at Rs. 3.10 crores *cf.* Rs. 3.18 crores in the previous year, but net profit has risen by a substantial 43% to Rs. 53 lakhs *cf.* Rs. 37 lakhs last year. Nevertheless, the board of directors has decided to maintain the equity dividend at 12%.

Reckitt & Colman's better showing

Reckitt & Colman of India Ltd., the well-known Calcutta-based company which manufactures antiseptics and analgesics, has declared its financial results for the 53 weeks ended 4th January 1986. The company has recorded a sales turnover of Rs. 40.66 crores *cf.* Rs. 32.85 crores in the previous 12 month period ended 29th December 1984, and a gross profit of Rs. 6.02 crores *cf.* Rs. 4.50 crores in the previous year. The board of directors proposes to maintain the equity dividend at 22% on an enhanced capital base consequent upon the issue of bonus shares in the ratio of 2:5.

Surya Agroil's maiden dividend

Surya Agroils Ltd., which *inter alia* manufactures refined oil, has announced its financial results for the year ended 31st December 1985. In its very first year of operations, this New Delhi-based company has recorded a sales turnover of Rs. 11.86 crores, gross profit of Rs. 1.10 crores and net profit of Rs. 75.60 lakhs. The board of directors has recommended a maiden equity dividend of 16%.

Meanwhile, the company has charted out ambitious expansion and diversification plans, and a number of new projects are expected to be commissioned by June 1986.

PEOPLE & PLACEMENTS



CHRISTOPHER PASSANAH has joined as president & chief executive of Clarion Advertising Services Ltd.



R.L. WADHWA has been appointed executive director of the Allahabad Bank.



DINESH K. KHANNA has been appointed vice president-cum-general manager of Eastern International Hotels Ltd.



B.S. SAMAT has been appointed chairman-cum-managing director of Bharat Heavy Electricals Ltd.



B.K. ACHAN has been appointed manager (merchant banking division) of the Hongkong & Shanghai Banking Corporation, southern region.



M.S. DABKE has been appointed secretary-general of the Indo-American Chamber of Commerce.



R. BALAKRISHNAN has been appointed managing director of Gujarat Industrial Investment Corporation Ltd.

GOLDEN STAR

The POWERFULL CABLES



FLAME RETARDANT ! LOW SMOKE !

The Company is manufacturing upto 3 3 KV Power Control, signalling type of electrical cables, both armoured and non-armoured, for underground and other uses with aluminium and copper conductors for which the Co has quotas

Golden Star", the name by which these cables are popular, bear the ISI mark and are registered with the various Railway & Electricity Boards, besides the DGS & D department for cables for various applications

The range of the cables manufactured by the Company, includes Power cables, Control cables, Railway Signalling cables, FRLS cables, Ship-wiring cables, Lift cables, etc

Keeping the future in mind, the Company is incorporating the latest technology in this industry, which would enable it to enter the sophisticated era of Heat Resistant, Flame Retardant, Low Smoke and Nuclear Radiation Retardant cables

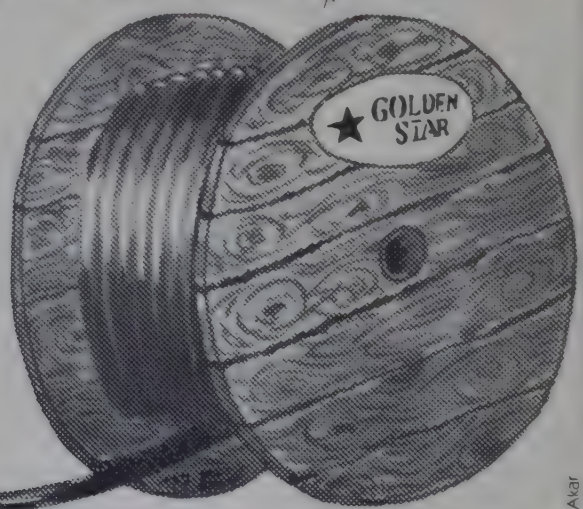
The major buyers of the products in the country are amongst others NTPC, NHPC , EPIL, EIL, NELCO, IOC, Railways, Electricity Boards, Docks, Port Trusts, Mines, Ship-yards, Telephone Departments, and the complete industrial sector The products have immense potential abroad too

Energy and power has been accorded top priority status in the country's move towards self reliance and growth

The outlay of the Department of Power has been stepped up from Rs 2090 crores to Rs 2575 crores in 1986-87 Against the VIIth Plan target of 22245 MW, the current years capacity is expected to be strengthened by more than 4000 MW

Golden Star" cables are being manufactured at the Company's plant in Parwanoo (H P) which is a no industry area (Zero Backward Area) thus making it eligible for substantial fiscal and monetary benefits The Company's products are entitled to 17½% price preference for all Govt Business in Himachal Pradesh

"GOLDEN STAR" is all set to become even more POWERFULL



GOLDEN STAR

EAST INDIA INDUSTRIAL CABLES CO. LTD.

Regd. Office:
1E/13 Swami Ram Tirath Nagar,
Jhandewalan Extension,
New Delhi-110 055.
Works : Parwanoo (Solan), H.P.

Akar

Portfolios: troubled times

With the Union budget for the fiscal year 1986-87 delivering shocks instead of sops to big industry and the corporate sector in general, stockmarkets registered sharp reverses in equity values. As a consequence, the two reconstituted *BusinessWorld* portfolios, drawn up (*BW* March 3-18, p.83) only a week before the budget, suffered a big knock in aggregate values. There is some consolation, nevertheless, in that the two portfolios — portfolio A, drawn up for steady income with some prospects of capital appreciation, and portfolio B, for capital appreciation, *per se* — incurred a loss of about 20% in aggregate values against leader scrips' losses averaging 30%-35% in the three weeks ended 21st March.

The setbacks experienced by the scrips in the portfolios were due almost entirely to the new scrips included in the portfolios — which were purchased at their pre-budget high quotations on 21st February — losing substantial ground since the presentation of the budget to Parliament on 28th February. Garware Polyester and Hindustan Lever, both of which were included in portfolio A, suffered a big drop in their quotations of Rs. 97 and Rs. 152 respectively on 21st February to Rs. 74 and Rs. 128 respectively on 21st March. Likewise, Motor Industries (MICO), which is included in portfolio B, plummeted from Rs. 745 to Rs.610.On the other hand,among the previously subsisting scrips, IDL Chemicals was quoted at Rs. 65 on 21st March as compared to Rs. 67.50 on 21st February, and Larsen & Toubro, which is common to both the portfolios and earns, like Garware Marine in portfolio A, a divided income, actually gained ground to close at Rs. 162 (ex-dividend) on 21st March up from Rs. 152 (cumulative dividend) on 21st February. Samtel, the remaining scrip, the investment in which was restricted to portfolio B, was also quoted higher at Rs. 175 until 19th March, although it suffered a fall subsequently to Rs. 132.50 on 21st March.

PORTFOLIO A
For steady income

	Yield*	No. of shares	Purchase price	Amount invested	Market value 21st February 1986	Market value 21th March 1986
IDL Chemicals	4.0%	20	65	1,300	1,350**	1,300**
Garware Marine	3.0%	100	25	2,500	1,900	1,650**
Larsen & Toubro	1.5%	20	189	3,780	3,040	3,264**
Garware Polyester	1.9%	50	97	4,850	4,850	3,700
Hindustan Lever	1.6%	50	152	7,600	7,600	6,400
Total investment and market value				20,030	18,740	16,314

** Based on last recommended dividend. ** Includes dividend income*

PORTFOLIO B
For capital appreciation

	No. of shares	Purchase Price	Amount invested	Market value 21st February 1986	Market value 21st March 1986
Samtel	50	195	9,750	8,250	6,625
Larsen & Toubro	30	189	5,670	4,560	4,896*
MICO	5	745	3,725	3,725	3,050
Total investment and market value			19,145	16,535	14,571

** Includes dividend income*

Potential risk. At the time I had drawn up the two portfolios to invest a notional Rs. 20,000 in each, I had cautioned readers about the potential risk I was running in making the new investments on the eve of the presentation of the budget. I had taken the risk of making fresh investments believing, as was reasonable to expect, that the finance minister would continue to provide incentives to promote savings and investments in industry in his second budget, as he did in his first. On the other hand, knowing the usual uncertainty associated with the Union budget in this country and allowing a margin for this, I had taken the precaution of liquidating some of the portfolio scrips during the pre-budget rally in equity values.

Also, since until the budget was presented on the evening of 28th February, listed scrips on the Bombay stock exchange as also the portfolio shares had been gaining ground, readers had the option to dispose of their purchases and book handsome profits, although it is possible that given the optimistic expectations — shared by me — of the budget in general, readers who made purchases of shares did not consider it necessary to dispose of these until after the budget proposals were announced.

Be that as it may, the latest Union budget has undermined sentiment on the stockmarkets because, contrary to popular expectation, it is devoid of any fresh incentives for the organised sector of industry. At the same time, because some budget proposals have abolished the partial exemption hitherto granted to inter-corporate dividends under s.80M of the Income Tax Act, 1961; abolished the benefit of investment allowance and made a back-dated claim on companies from 1st April 1974 for a refund of investment allowance corresponding to the amount of interest capitalised on loans for investment in plant and machinery, marketmen fear that equity values have been gravely undermined.

Adverse influence. On apprehensions of the budget's adverse influence on the business prospects of the corporate sector as also because of the over-bought position of the stockmarkets, equity shares have slumped from their pre-budget quotations. But the post-budget reverses in equity values have served to make the stockmarkets healthy and provide a chance to investors to purchase shares at favourable prices.

So, although it is a bit odd to say that the last word on the Union budget is still to be said by the finance minister, expecting that, on reconsideration, he is likely to soften his proposals, the prospects for equities following the latest budget might not prove to be as bad as the post-budget reverses in equity values have indicated. On the contrary, there is reason to believe that within a short time, equities may be alive and kicking once again.

Artymon

Bearish trend continues

The distinctly bearish trend in equities that set in soon after the budget for 1986-87 was presented, continued to depress the stock exchanges of the country during the fortnight ended 21st March. Despite the fact that the stock exchange authorities of Bombay and Calcutta clamped heavy margins on bears, the downward trend was not arrested because of heavy bull liquidation coupled with bear hammering. The sentiment was adversely affected because of the proposal in the latest finance bill to abolish tax deductions on inter-corporate dividends which were hitherto provided under section 80M of the Income Tax Act. The disallowance of the tax deductions on capitalised interest payments announced simultaneously also fuelled the downward spiral.

Confirming the bearish trend in equities, the Bombay stock exchange's sensitive index nosedived by 63.27 points from 588.29 on 10th March to 525.02 on 21st March — a loss of 10.75%. Likewise, *The Economic Times* index of ordinary shares moved down by 4.35% to 466. And the *Financial Express* equity index lost 19 points during the fortnight under review.

The highlights of trading during the fortnight under review was the crash in the prices of volatile scrips, which lost between Rs. 15-20 per share on sustained offerings from tired bull operators. Tata Steel plummeted from Rs. 1,262.50 to Rs. 1,100 because the much awaited sanction of higher steel prices has not been announced by the government.

"The sharp decline in share prices after the budget was only to be expected. Expectations of investors and speculators of further tax concessions in the budget were very high, but these did not materialise. Market men were also hopeful of an abolition of the stipulation that income tax on dividends be deducted at source. This stipulation was not abolished either. On the contrary, the tax deductions hitherto permitted under section 80M of the Income Tax Act have been abolished and so has the deduction on interest payments which were capitalised. This has upset the psychology of investors. However, the finance minister has agreed to reconsider some of these decisions and the market is consequently likely to stabilise at the present level," observes Mahendra Kampani, vice chairman of the Bombay-based merchant banking firm, J.M. Financial Consultancy Services Pvt. Ltd.

S. Dhruv

BOMBAY

Name/Industries	1985 Price range High (Rs.)	1985 Price range Low (Rs.)	Dividend per share (Rs.)	Opening 10-3-86 (Rs.)	Closing 21-3-86 (Rs.)	Yield %
1	2	3	4	5	6	7
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	360.00	345.00	4.3
Bombay Dyeing (25)	156.00	63.00	1.75*	86.00	83.00	2.1
Century Spg. (100)	1530.00	805.00	24.00*	1380.00	1280.00	1.9
Century Enka (100)	1240.00	600.00	34.00	1060.00	1070.00	3.2
Ganware Nylon (10)	64.00	24.50	1.80	37.00	38.00	4.7
Gwalior Rayon (10)	88.00	53.50	2.20	69.00	63.50	3.5
Indian Rayon (10)	144.00	65.00	2.40	106.00	105.00	2.3
JK Synthetics (10)	118.00	51.70	1.50	103.00	98.00	1.5
Mafatlal Ind. (125)	400.00	235.00	22.00	400.00	365.00	6.0
Nirlon (10)	73.00	37.00	2.25*	55.00	52.00	4.3
Reliance Ind. (10)	252.00	121.00	4.00	321.00	302.50	1.3
S. I. Viscose (100)	285.00	170.00	15.00	193.75	177.50	8.5
Standard Mills (100)	475.00	272.00	12.00	455.00	400.00	3.0
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	170.00	170.00	11.8
Ballarpur (10)	68.00	43.00	2.20*	55.00	54.00	4.1
Bhadrachalam (10)	36.00	20.50	N.A.	26.00	26.00	...
Jayant Paper (10)	28.00	13.50	2.00	20.00	20.00	10.0
Orient Paper (10)	101.00	59.00	2.00	90.00	90.00	2.2
Steel						
Mukand (10)	54.00	21.75	N.A.	33.00	33.00	...
Tata Steel (100)	1255.00	379.50	21.00	1175.00	1152.50	1.8
Zenith Steel (10)	78.00	27.50	2.50	76.00	72.00	3.5
Metal & Alloys						
Bihar Alloys (10)	28.00	8.25	N.A.	19.00	18.00	...
Ferro Alloys (100)	275.00	125.00	12.50	280.00	265.00	4.7
Hindustan Alum. (10)	94.00	51.00	1.35*	88.00	82.00	1.6
Mahindra Ugine (10)	49.00	27.00	N.A.	30.00	29.00	...
Engineering						
Antifric Bearings (10)	60.00	21.50	1.40	20.75	20.75	6.7
Associated Bearing (100)	800.00	435.00	20.00	875.00	740.00	2.7
Atlas Copco (10)	72.00	36.00	1.20	78.00	77.00	1.6
Bharat Forge (10)	90.00	29.00	1.80*	56.00	58.00	3.1
Bharat Gears (10)	60.00	27.50	1.80	37.00	35.00	5.1
Blue Star (10)	92.50	32.50	2.00	87.50	75.00	2.7
Elecon (10)	108.00	54.50	1.70	95.00	87.50	1.9
Greaves Cotton (100)	350.00	202.50	17.00*	292.50	292.50	5.8
Hind Lever (10)	128.00	50.75	2.40	131.00	133.00	1.8
Ingersoll Rand (10)	365.00	159.00	3.50	405.00	400.00	0.9
KEC Int. (10)	40.00	24.00	1.25	29.00	24.00	5.2
Kinetic Engg. (10)	380.00	128.00	2.50	275.00	247.50	1.0
Kirloskar Cummins (100)	753.50	500.00	15.00	590.00	547.50	2.7
Kirloskar Oil (10)	36.00	19.50	1.25	17.00	16.00	7.8
Larsen & Toubro (10)	193.00	72.00	2.40	166.00	166.00	1.5
Mahindra & Mahindra (10)	102.00	47.50	1.80*	62.00	58.00	3.1
Otis Elevator (10)	215.00	85.00	2.50	115.00	95.00	2.6
Premier Auto (100)	650.00	310.00	21.00	812.50	380.00	3.6
Pressure Cookers (10)	49.00	25.00	1.90	43.00	40.00	4.8
Tata Engg. (100)	1030.00	408.00	23.00	680.00	625.00	3.7
Voltas (100)	470.00	358.00	10.00*	300.00	280.00	3.6
Automobiles						
Bajaj Auto (100)	2075.00	865.00	30.00	2425.00	2300.00	1.3
Bajaj Tempo (10)	280.00	143.00	2.50	240.00	240.00	1.0
Escorts (10)	102.00	45.75	2.20	70.00	78.00	2.8
Motor Industries (100)	815.00	321.25	14.00	650.00	625.00	2.4
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	240.00	210.00	4.8
Bajaj Electricals (100)	340.00	115.00	20.00*	625.00	590.00	3.4
Bharat Bijlee (100)	300.00	105.00	16.00	437.50	437.50	3.7
Crompton Greaves (100)	350.00	257.50	10.00	255.00	295.00	3.4
Peico Electronics (10)	103.00	38.50	2.00	58.00	56.00	3.6
Siemens India (10)	87.50	38.00	1.40	78.00	72.00	1.9
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	60.00	50.00	24.0
Bayer (100)	480.00	320.00	18.00	600.00	500.00	3.6
I.E.L. Ltd. (10)	80.00	32.70	2.00	70.00	66.00	3.0
Colour-Chem (100)	335.00	185.00	12.00*	275.00	266.50	4.5
Cynamid (10)	80.00	35.00	25.00*	87.50	80.00	31.3
Glaxo (10)	75.00	23.75	1.80	65.00	66.00	2.7
G S F C (100)	895.00	534.00	24.00	1350.00	1270.00	1.9
Herdillia Chem (10)	67.00	25.50	1.80	44.00	43.00	4.2
Mafatlal Dyes (10)	33.00	23.50	1.70	29.00	29.00	5.9
Mangalore Chem (10)	50.00	19.50	N.A.	56.00	55.50	...
Indian Dyestuffs (100)	390.00	267.50	16.00	360.00	305.00	5.2
Indian Organic (10)	141.00	50.25	18.00*	72.00	66.00	27.3
Pfizer (10)	100.00	39.00	2.00	102.50	115.00	8.7
Polychem (50)	181.00	60.00	10.00	120.50	115.00	8.7
Sandoz (10)	80.00	31.00	1.40	83.00	75.00	1.9
Sandvik Asia (100)	575.00	340.00	10.00	690.00	690.00	1.4
Tata Chem. (10)	156.00	64.50	2.50	85.00	87.00	2.9
Warner Hind (10)	75.00	36.00	2.50*	85.00	80.00	3.1
Zuari Agro (10)	94.00	46.00	2.25*	100.00	84.00	2.7
Shipping						
Chowgule (10)	16.50	5.00	N.A.	7.50	8.25	...
Great Eastern (10)	34.00	14.25	0.70	23.25	23.50	3.0
Scindia (20)	21.50	7.00	N.A.	9.50	9.75	...

BOMBAY

Name/Industries	1985 Price range High	Low	Dividend per share	Opening 10-3-86	Closing 21-3-86	Yield
1	2	3	4	5	6	7
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	%
Cement						
A C C (100)	610.00	380.00	20.00	316.00	252.00	7.9
Digvijay Cement (100)	230.00	180.00	20.00	195.00	200.00	10.0
Mysore Cement (10)	48.00	30.00	1.75	36.00	35.00	5.0
Raaci Cement (10)	60.00	31.00	1.80	40.00	40.00	4.5
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	200.00	200.00	8.0
Blow Plast (10)	122.00	44.00	2.50*	101.00	103.00	2.4
Colgate (10)	318.00	143.50	7.00*	207.50	207.50	3.4
East India Hotels (10)	53.00	25.50	2.00	48.00	45.00	4.4
Garware Marine (10)	33.00	14.00	1.40*	17.00	15.50	9.0
Gujarat Alkali (10)	65.00	38.00	2.50	51.00	51.50	4.9
Harri Malayalam (10)	76.00	38.00	2.50	51.00	50.00	5.0
Indian Hotels (10)	135.00	77.00	2.50	130.00	130.00	1.9
I.T.C. (10)	59.80	29.00	2.25	62.00	61.00	3.7
Lohia Machine (10)	85.00	43.50	2.00	48.00	48.00	4.2
Ponds (10)	218.00	103.00	4.50	225.00	205.00	2.2
VST Ind (10)	38.50	21.00	2.30	32.00	30.00	7.7
Wimco (10)	71.00	38.50	2.00	58.00	57.00	3.5

CALCUTTA

Textiles						
Bharat Commerce)10)	27.00	13.75	1.00*	17.00	18.00	5.6
J. K. Cotton (10)	64.00	18.00	1.20*	61.00	63.00	1.9
Kesoram Ind (10)	85.00	52.00	2.35	74.00	74.00	3.2
Jute						
Birla Jute (10)	105.00	51.50	1.85	45.50	43.25	4.3
Reliance (10)	—	—	1.75*	48.00	48.00	3.6
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	91.00	95.00	2.3
Indian Oxygen (10)	66.30	42.75	2.00*	55.50	54.00	3.7
Engineering						
Alfred Herbert (10)	25.00	15.00	1.50	28.75	28.75	5.2
Guest Keen (10)	35.25	20.00	0.50	21.00	21.00	2.4
India Foils (10)	78.00	38.75	2.00*	78.00	74.00	2.7
Macneil Magor (10)	250.00	127.00	12.00	49.00	44.50	27.0
Metal Box (10)	25.00	11.50	0.80*	18.10	17.50	4.6
Union Carbide (10)	38.00	16.75	0.50	32.25	32.00	1.6
Usha Martin (10)	48.00	26.00	1.60*	36.00	38.00	4.2
Tea						
Basmatia (10)	44.75	35.25	3.00	38.25	38.25	7.8
Brooke Bond (10)	83.00	46.50	2.50	82.00	84.00	3.0
Tata Tea (10)	177.00	64.00	5.00*	106.00	105.00	4.8
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	98.00	106.00	1.7
Davy Ashmore (10)	30.00	18.25	1.50*	28.00	27.75	5.4
English Elec (10)	114.00	70.00	3.50	123.00	102.00	3.4
Hindustan Motors (10)	127.00	37.10	2.00	101.00	99.75	2.0
Remington Rand (10)	80.00	36.50	2.00	46.00	40.00	5.0
Uni Cables (10)	65.00	26.50	1.50	62.50	67.00	2.2

DELHI

Amrit Banaspati (10)	48.00	15.00	1.20*	33.50	33.00	3.4
D C M (25)	82.00	48.25	3.75	36.00	37.50	10.0
Escorts (10)	102.00	45.75	2.20*	69.00	78.00	2.8
Goetze India (10)	61.00	21.00	1.80*	47.00	52.00	3.5
Jagatjit Cotton (10)	—	—	1.40*	123.00	87.00	1.6
Kelvinator (10)	105.00	49.00	1.60	74.00	70.00	2.3
Modi Industries (10)	87.00	16.50	1.80	51.00	40.00	4.5
Prakash Tubes (10)	24.50	18.00	1.50	23.50	23.50	6.4

AHMEDABAD

Anil Starch (100)	225.00	147.00	18.00	295.00	240.00	7.5
Aruna (100)	200.00	105.00	15.00*	138.00	128.00	11.7
Atul Prod. (100)	667.00	311.50	20.00	546.00	497.00	4.0
Bharat Vijay (100)	255.,0	167.50	10.00	177.50	170.00	5.9
Calico (125)	235.00	108.00	N.A.	101.00	92.00	
Cellulose Prod. (100)	—	—	8.00*	90.00	88.00	9.1
Guj. Steel (100)	300.00	140.00	15.00	265.00	265.00	5.7
Mafatlal Ind. (100)	390.00	235.00	22.00	315.00	338.00	6.5
Vallabh Glass (100)	275.00	105.00	22.00*	105.00	105.00	21.0

MADRAS

Aluminium Ind. (10)	17.00	5.00	1.50*	7.00	8.00	18.8
Amrutanjan (10)	—	—	3.50	118.80	117.50	3.0
Andhra Cement (10)	—	—	1.50	26.00	28.50	5.3
Ashok Leyland (10)	58.00	25.00	1.80*	28.50	31.00	5.8
Enfield India (10)	101.00	45.00	2.00	59.00	60.00	3.3
Indian Cement (10)	46.00	20.00	2.00	31.00	30.00	6.7
Kothari Ind (10)	34.50	19.00	1.20*	15.25	17.00	7.1
Madura Coats (10)	69.00	27.25	2.50	76.00	77.50	3.2
Mysore Lamps (10)	84.00	40.00	2.50	79.00	78.00	3.2
Textool (100)	265.00	182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 10th March and 21st March
D C M(25)	+ 2.75
Enfield(10)	+ 1.00

Losers	Between 10th March and 21st March
ACC(100)	– 57.00
Andhra Cement(10)	– 4.00
Ashok Leyland(10)	– 2.50
Asian Paints(10)	– 12.50
Asso. bearings(100)	– 135.00
Bajaj Auto(100)	– 180.00
BASF(10)	– 20.00
Blow Plast(10)	– 4.00
Burroughs Wellcome(10)	– 7.50
Baroda Rayon(100)	– 60.00
Bihar Alloys(10)	– 3.40
Bombay Dyeing(25)	– 4.00
Century Spinning(100)	– 185.00
Deepak Fert(10)	– 6.00
EI Hotels(10)	– 3.50
Garware Nylon(10)	– 5.00
Glaxo(10)	– 10.50
GSFC(100)	– 210.00
Gwalior Rayon(10)	– 12.00
Hind Alu(10)	– 13.00
Hind Lever(10)	– 17.00
Hind Motors(10)	– 15.00
Indian Organic(10)	– 10.00
Indian Rayon(10)	– 11.00
ITC(10)	– 8.00
Larsen & Toubro(10)	– 13.00
Mahindra & Mahindra(10)	– 13.00
Metal Box(10)	– 1.00
MICO(100)	– 80.00
Modi Rubber(10)	– 1.25
Mukand(10)	– 2.50
NOCIL(100)	– 105.00
Nirlon(10)	– 1.00
Pfizer(10)	– 27.00
Premier Auto(100)	– 72.50
Raymond(10)	– 5.00
Reliance(10)	– 16.00
Siemens(10)	– 11.00
SPIC(10)	– 25.50
Standard(100)	– 80.00
Tata Chemicals(10)	– 6.00
Tata Steel(100)	– 162.50
Tata Tea(10)	– 13.00
Tata Loco(100)	– 150.00
Tata Oil(25)	– 3.00
WIMCO(10)	– 7.00
Zenith(10)	– 8.00
Zuri(10)	– 27.00

Indian commodity prices

Commodity	Variety/Centre	1984 High	1984 Low	Prices as on March 7, 1986	Prices as on March 21, 1986
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	225.00	310.00	290.00
Rice	Sela-Hapur	312.50	267.50	272.50	287.50
Gram	Desi-Bombay	525.00	290.00	562.50	525.00
Sugar (per quintal)	C-30, Bombay	546.00	443.00	677.00	617.50
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	18,564.00	15,288.00	15,912.00	15,622.00
Mustard (tin)	K-Ghani-Delhi	320.00	210.00	192.50	195.00
Coconut	Cochin	37,750.00	28,200.00	15,900.00	16,150.00
Steel (per tonne)					
Rounds	6mm-Bombay	5,700.00	4,300.00	5,600.00	5,500.00
Angles	75x75x6mm	5,500.00	4,650.00	6,600.00	6,600.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,480.00	4,010.00	4,550.00	4,450.00
Lead	Bombay	1,230.00	1,000.00	1,400.00	1,400.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,200.00	1,600.00	2,300.00	2,300.00
Re-rollable	Bombay	3,400.00	2,400.00	4,200.00	4,200.00
Chemicals (per 50 kg)					
Soda Ash	Tata	270.00	148.00	181.00	175.00
Caustic	Flakes	302.50	262.50	375.00	395.00
Cement (per bag of 50 kg)					
Controlled		41.20	39.20	42.50	42.50
Open market		66.00	60.00	60.00	60.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on March 7, 1986	Prices as on March 21, 1986
Gold	London	US$/ounce	343.00	350.60
	Zurich	US$/ounce	342.80	350.20
	Hong Kong	US$/ounce	342.50	351.80
Silver	New York	Cents/ounce	559.00	576.70
Copper (w.bar)	London	£/tonne	972.00-974.00	982.00-985.00
Soyabean oil	Chicago	Cents/pound	17.16	17.49
Palm oil	Malaysia	$/tonne	490.00	536.00
Castor oil	Rotterdam	$/tonne	600.00	860.00
Black pepper	Singapore	$/quintal	890.00	855.00
Rubber	Malaysia	$/tonne	202.00-204.00	201.00-203.00

Sugar reacts

A marked fall in sugar prices was the main feature of trading in the Indian commodity markets during the fortnight ended 21st March.

Sweetening agents. Sugar prices which had shot up in the previous fortnight ended 7th March suffered a sharp reactionary fall to the extent of 60 points per quintal. This sudden reversal was attributed to a higher free sale sugar quota of four lakh tonnes for the month of April *cf.* 3.5 lakh tonnes for March.

Foodgrains. Wheat prices turned easy on account of poor export prospects. Rice prices, on the other hand, tended to harden because of a bright export outlook. Among pulses, imported items tended to harden on a tightening supply position.

Oilseeds, oils. Edible oil prices ruled quietly steady in a market characterised by restricted activity. Among industrial oils, castor oil prices tended to look up on stray speculative support.

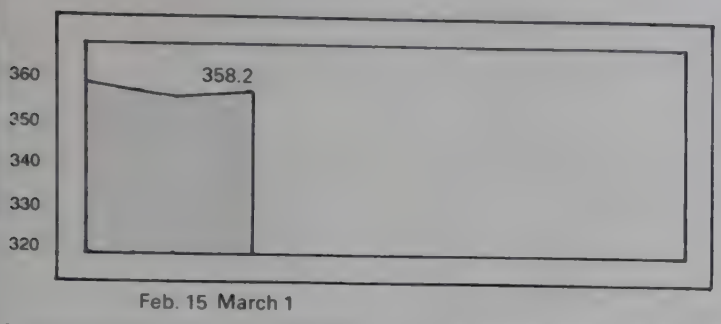
Fibres, yarn. Cotton prices remained weak on reports of heavy arrivals in producing centres and restricted buying orders from mills. Acute financial stringency also contributed to the subdued tendency, and prices of popular varieties of cotton fibre declined further by Rs. 100 to Rs. 200 per candy. In the yarn market, viscose (rayon) yarn prices tended to improve on account of reduced supplies from a major yarn spinner which in turn was attributed to labour trouble.

Metals, steel. In the non-ferrous metals market, copper prices nosedived by over Rs. 100 per quintal on account of the offerings by stockists who had accumulated stocks on expectations of a hike in import duties. But as the anticipated hike did not materialise, prices tended to react swiftly. Easier advices from the London Metal Exchange also aided the downward trend. Steel prices ruled steady to better.

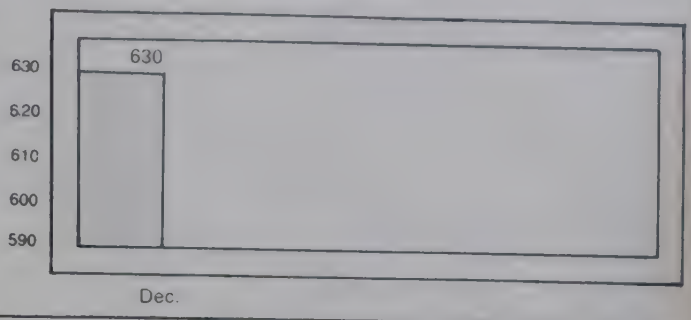
Chemicals. Caustic soda prices ruled better on reduced supplies. Soda ash, however, remained quiet.

The cement and *kirana* markets ruled quiet on account of restricted activity.

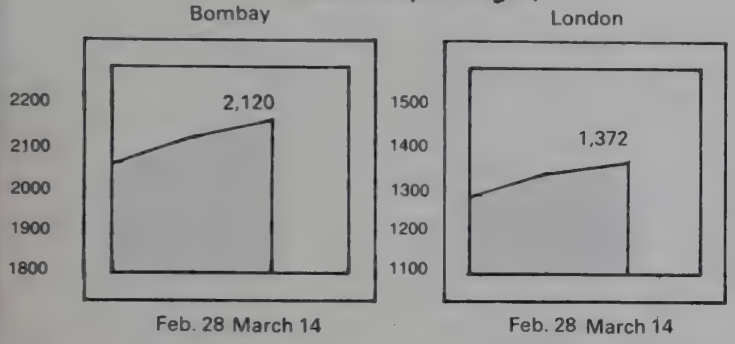
Wholesale Price Index (1970-71=100) 1986



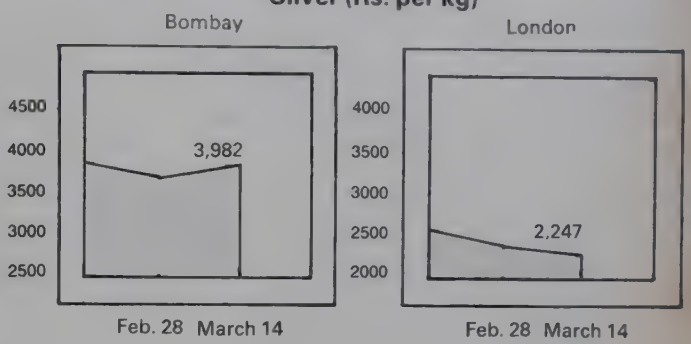
Consumer Price Index for Industrial Workers (1960-61=100) 1985



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 26th February 1986

	One month	Three months	Six months	One year
Sterling Pound	12.75	12.38	11.88	11.69
US dollar	7.94	7.94	7.94	8.12
West German mark	4.56	4.56	4.56	4.56
Japanese Yen	6.56	6.13	5.81	5.75

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 March 8	1986 March 7
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

***Money Supply (M3)**	**(Rs.crores)**	**% change over**	
February 28, 1986	1,16,404	Fortnight	−0.5
February 14, 1986	1,16,970	Year	+16.0
March 1, 1985	1,00,339	Two years	+38.8

**** Aggregate Deposits**	**(Rs.crores)**	**% change over**	
February 28, 1986	87,242	Fortnight	−0.2
February 14, 1986	87,427	Year	+18.9
March 1, 1985	73,381	Two years	+40.1

***** Foreign Exchange Reserves**	**(Rs.crores)**	**% change over**	
February 28, 1986	4,792	Fortnight	−2.2
February 14, 1986	4,901	Year	−4.6
March 1, 1985	5,024	Two years	−5.7

Bank-credit	**(Rs.crores)**	**% change over**	
February 28, 1986	78,912	Fortnight	+5.9
February 14, 1986	74,483	Year	+13.7
March 1, 1985	69,426	Two years	+34.7

Foreign Exchange Rates (Spot) 1986
Buying Rs.

	1986 March 14	1985 March 15
One P. Sterling	17.91	14.16
One US Dollar	12.21	13.09
One D. Mark	5.42	3.86
One hundred J. Yen	6.85	5.02

CSO Index of Industrial Production (1970 = 100) 1985

March	216.9	September	201.2
April	191.6	Octobert	202.4
May	193.6	November	206.0
June	192.6	December	222.0
July	198.5	**1986**	
August	196.5	January	224.00

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*

** *Demand deposits plus time deposits with all scheduled banks*

*** *Including SDRs, excludes gold coins*

The Prasad precedent

Offshore oil exploration and production expert Dr. Anil Malhotra, whose resignation from the public sector Oil & Natural Gas Commission (ONGC — sales: Rs. 3,986 crores in the year ended 31st March 1985) last December as member (operations) of the commission created waves in the country's most profitable public sector enterprise, has been snapped up by the World Bank. And that's official.

Widely regarded as the architect of one of the few industrial miracles of the Indian economic development effort, i.e. Bombay High, Malhotra has signed up with the energy division of the world's premier international term lending institution. As the only individual with hands-on experience of the offshore oil production business in the World Bank's energy division, Malhotra's job will be to evaluate oil exploration project proposals for which World Bank funding is sought.

Apart from envy, Malhotra's departure for comfortably green pastures in Washington has also generated considerable bitterness within ONGC and the ministry of petroleum. It is hardly a secret that without a major oil strike since Bombay High in the mid-seventies, the pressure is building up within ONGC and the petroleum ministry for a technically knowledgeable oil exploration industry insider to take over the reins of ONGC. Considerable resentment has reportedly built up within ONGC's all-important technical cadre against Colonel S.P. Wahi, chairman of the commission, who is an able administrator but an individual who is innocent of understanding the intricacies of the expensive oil exploration business. Malhotra's resignation from ONGC is believed to have been triggered by an organisational restructuring exercise ordered by Wahi, whose five-year contract expires in November.

In the meanwhile, though there is the possibility that Wahi's contract may be extended by a year until he attains the statutory age of retirement, heir apparent Malhotra is believed to have indicated his willingness to return to India at short notice to lead the 40,000 plus lonely men, whose efforts have kept the Indian economy afloat during the last decade. In ONGC, there is a precedent for such a recall. Ruffled by being passed over for promotion in the early seventies, former ONGC chairman N.B. Prasad retreated into exile in the US until a personal phone call from Mrs. Gandhi induced him to return to head the ONGC.

Money market storm

A crisis of storm-like proportions is brewing in the short-term money market as the Union government has begun its traditional move to dress up the money supply figures in the last week of its fiscal year due to end on 31st March. As a consequence, the State Bank of India, the biggest lender in the inter-bank market, has almost shut down its activities in the market. Likewise, the Unit Trust of India is recalling short-term deposits made with organised sector companies while at the same time delaying disbursements by deferring the purchase of debentures and equity shares it has committed itself to buying through private placements.

Moreover, all the nationalised banks are reportedly defaulting on maintaining their statutory liquidity ratios, and even top class companies are finding it extremely difficult to raise funds in the inter-corporate market.

In the meanwhile, as a result of this development and the shock administered to the company by the untidy MODVAT proposal, industrial activity is slowing down even as inventories are piling up.

It's a long, long way to the 21st century.

Not by sentiment

The men (and women) who eke out a living reporting the news are themselves making news, which is a matter of considerable discussion within the esoteric fraternity of the fourth estate.

Among the choicer bits of news: the crisis within *The Times of India* which at one stage had resulted in some of the top journalists of the daily sending in their resignations to the management, has blown over. The crisis had been triggered by several proposals made by Samir Jain, executive director and rising son of Bennett Coleman & Co. which publishes the Times of India group of publications, to tone up the news reporting of the country's most venerated daily. However these proposals made the daily's indispensable media pundits see red. Happily, the status quo ante has been restored.

The going has not been so smooth in the Indian Express group of publications either. J.C. Jain, adviser and public relations director of the Express group, has put in his papers. Since then Jain has signed up with business tycoon Vijaypat Singhania to launch an English and Hindi language daily newspaper in Bombay.

Meanwhile, *India Today*, the country's largest circulation English language newsmagazine, has lost the services of ace reporter Sumit Mitra to television but has signed up *Celebrity* editor-designate Madhu Jain. Jain's acceptance of the *India Today* offer puts paid to the plans of the London-based publisher of *Celebrity* to re-launch the magazine from New Delhi.

Quite obviously sentimentality is not a weakness of individuals in the high pressure world of the fourth estate.

Merit rewarded

For sometime now, the newspapers have been speculating about the promotion of an autonomous corporation to manage the telephone networks in the four major metropolitan cities. Initially, four such corporations were proposed but eventually a single corporation to manage the chaos in Delhi and Bombay has been cleared. The crucial question however has been who would be chosen to head this prestigious pioneering corporation. Although a number of top-notch telecom engineers, both from the P&T department and the public sector Indian Telephone Industries (ITI) as well, were reportedly in the running, the Union government does not appear to have been sufficiently impressed by them.

According to reliable sources in New Delhi, the choice for this key job has apparently settled on Mahendra Pratap Shukla, currently chairman and managing director of the low-profile state-owned Telecommunications Consultants India Ltd.(TCIL). Shukla, who has been in charge of telephone networks in both Bihar and Delhi early in his career, first hogged the limelight when he set up the Naini unit for ITI right from scratch.

But Shukla's finest hour came some eight years ago, when at his initiative the government promoted a telecom services export company. From a humble beginning, TCIL has grown into a massive money spinner for the government, with operations in at least a dozen countries. TCIL has reportedly proved itself capable of handling the most sophisticated telecom systems, bagging orders valued at Rs. 60 crores in 1984-85. This despite the fierce international competition for such business.

Domestically too, TCIL has been earning plaudits for the number of sophisticated projects it has undertaken. Little wonder then that the powers that be have chosen to repose their trust in Shukla — who is likely to retain the chairmanship of TCIL — once again.

A rare case of merit rewarded in the public sector.



STANDARD 2000

here comes a time in your life when nothing less will do.

Standard 2000. Now on the roads!

MH/BYS-141
TN/MS(C)/673

Over 30 countries around the world will testify that Dulux Acrylic Emulsion gives you all these...



and something more...

that unique Dulux finish.

Only Dulux 'years ahead' world-wide paint technology can give you a complete wall finish — Dulux Acrylic Emulsion. More value for your money. More coverage per litre. An exciting range of colours. And, looks that can be easily washed to stay new.

Talking of looks, that's a beautiful surprise for you. You'd never expect an acrylic emulsion to give you such a rich finish. But then, that's the magic of Dulux Acrylic Emulsion. Unmatchable.

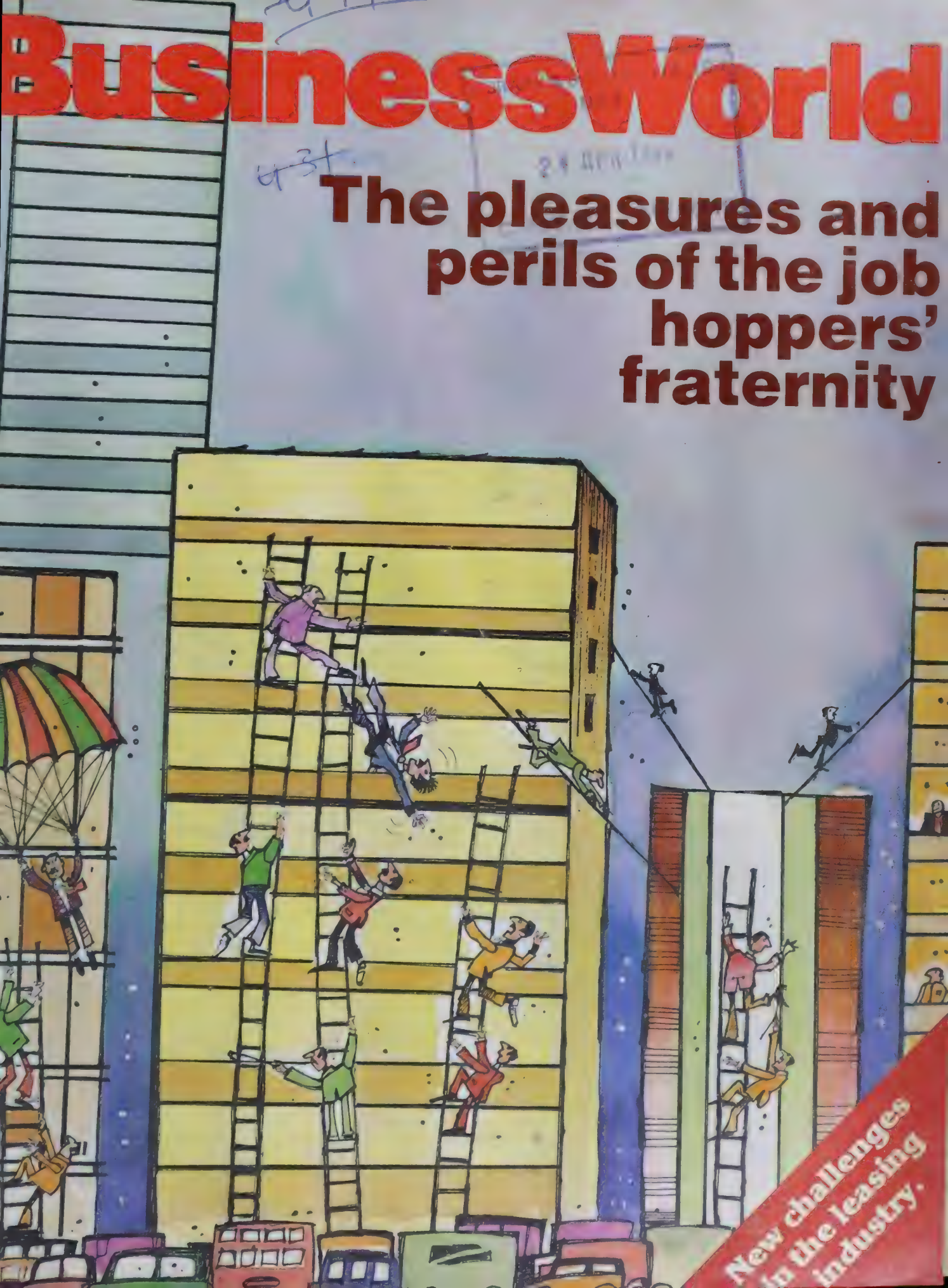


The magic of Dulux. No one else has it!

CLARION C-IEL AE-2

BusinessWorld

The pleasures and perils of the job hoppers' fraternity



New challenges in the leasing industry.

Even a Safari briefcase can't add to your status. It all depends on what you carry inside.



If by any chance you are carrying long term strategic plans for your company, you are unmistakably a top honcho. A tome on tax planning in your briefcase will definitely place you in senior management. If it is merely a bunch of call reports, you must still be a breathless beginner on the corporate scene. This is the high tension world of Safari.

Now look at the conveniences. Plenty of room for papers. Portfolio for documents. Pockets for pens, calculator, cheque book. At full load, a Safari briefcase is still light to carry around. Anywhere.

Safari. It survives.

safari

The luggage that knows its business.



ULKA-SL-700-86

BusinessWorld

VOLUME 6, ISSUE 2, APRIL 14-27, 1986

BusinessWorld

the magazine for Indian business

Editor
Dilip Thakore
Assistant Editors
Debjani Sinha
Michael Neri
Special Correspondent
Binu S. Thomas
Calcutta
Special Representative
Sujoy Gupta
Delhi
Anand P. Raman
Bangalore
N. Raghavan
London
Seetha Kumar
Far East correspondent
Sheila Kumar
Sub-editor
Indira Khanna
Art Director
Bipul Guha
Production
Mohan Nair
Layout
Mohan Nair
Hajoo Aslam E.

☐Head Office & Regd. Office
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700 001
Telephone 278000 & 274880
☐Regional Offices
Bombay
145, Atlanta
209, Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone 240581, 241083

Delhi
1/7 IENS Bldg
Rafimarg
New Delhi-1
385401 Ex. 37
383058 (Editorial)
Phone 389078 (Advtg)

Madras
Dents Garden, 18, Pattulos Road,
Madras 600 002
Phone 89379 & 81713

Bangalore
14, Madras Bank Road
4th Floor,
Bangalore 560 001
Phone 568227 & 568228

London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC 4
Telephone 01-353-1821

Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage

☐Editorial office
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone: 221178 & 241083

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

Why not save 20%.

Money back guarantee

We are confident you will enjoy **BusinessWorld.** Confident enough to refund your entire subscription within two months if you are not satisfied.



Send me the following issues of

BusinessWorld
the magazine for Indian business

My cheque is enclosed



Mail my copy to

Name

Address

State

Pin code

Subscription Rate (In India)

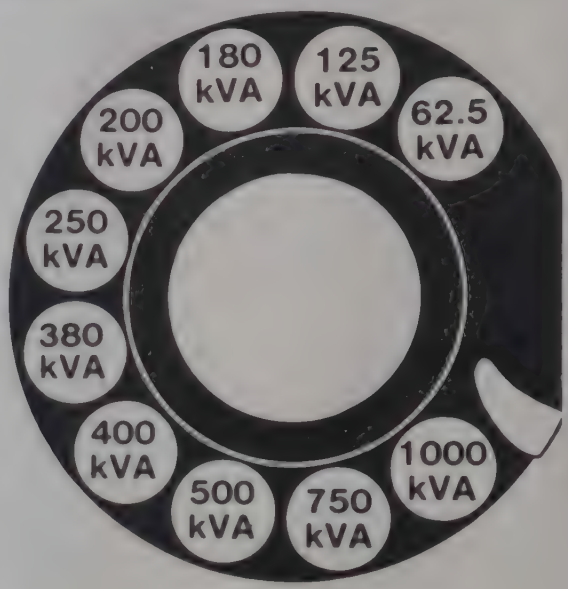
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

Please draw cheque in favour of
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700 001

Rs 3 extra for outstation cheques

Please tick
☐ One Year
☐ Two Years
☐ Three Years

BEST & CROMPTON
GENSETS FROM 62.5 KVA UPTO 1000 KVA



Quick delivery - Best & Crompton's range of gensets

Which number would you like?

Available ex-stock

Take your pick from Best & Crompton's wide range of gensets from 62.5 kVA to 1000 kVA. We'll set up the entire system for you in the shortest possible time.

More than a genset – complete electrification plans.

If you are about to set up a project and are considering captive power requirements – call us. We'll use computer – aided design techniques to study your actual load requirement and to gauge your need for peripheral services. We'll then recommend the equipment that best suits your needs. Like switchgear, control panels and cabling for the complete plant, civil works and pumping systems. We'll supply, install and commission the captive power system on a turnkey basis.

Built exclusively with renowned Kirloskar Electric Alternators

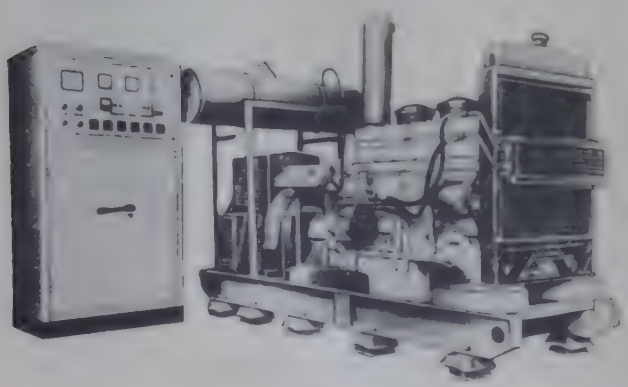
KEC Alternators both in conventional and brushless designs upto 250 kVA, brushless beyond 250 kVA upto 1000 kVA, voltages upto 11 kV. Backed by excellent after-sales service from 15 branches located all over India.

Custom-made to suit your needs.

We can design our systems to match either your existing or new line systems.

Equipment like control panels and Auto Mains failure panels are engineered with in-built solid state circuitry.

The next time you need captive power for your plant, dial Best & Crompton



Best & Crompton

Best & Crompton Engineering Ltd
29 Rajaji Salai, Madras 600 001

Kirloskar Electric Company Ltd
P.B. 5555, Malleswaram West,
Bangalore 560 055

OBM 9506

Best & Crompton Engineering Ltd

Regional Offices at : Bombay • Calcutta • Delhi • Madras

Branches at : Bangalore • Bombay • Baroda • Bhopal • Bhubaneshwar • Calcutta • Coimbatore • Cochin • Gauhati • Lucknow • Madras • Madurai • New Delhi • Patna • Secunderabad • Vijayawada • Visakhapatnam.

Additional Service facilities at : Cuttack • Chandigarh • Jaipur • Jamshedpur • Nagpur • Pune.

Hitherto, the quickest way to the top in industry for yuppies (Americspeak for young urban professionals) was to hop from one company into another, skip out of the latter and jump into the third, negotiating a promotion each time. No longer.

Influenced by the managerial styles and practices of Japanese industry which has taken on and bested the pick of western corporations and which generally retains its managers for a lifetime, corporate managements in this country are taking a long, hard look at job hoppers. In addition, the widespread success of management books such as *In Search of Excellence* and *Theory Z* which have highlighted the importance of developing distinctive value driven corporate cultures, has persuaded corporate managements to be less impressed by the flash, glamour and ostensible dynamism of the growing tribe of job switchers.

Recently, job hoppers and the phenomenon that is described as job hopping have risen to the forefront of corporate consciousness with the dramatic resignations of externally inducted chief executives of two highly respected companies. Last September, Ramesh Sarin, the go-getting president of Voltas Ltd., who had been inducted into the company after one of the most extensive and well publicised managerial head-hunts in Indian corporate history, put in his papers prior to the completion of his term in office. Likewise in December Dr. M.D. Shukla, who left Voltas shortly before Sarin did to head the Calcutta-based GEC, put in his papers in the latter company.

The failure of Sarin and Shukla — individuals with brilliant track records in industry — to stay the course in the two blue-chip companies into which they had been inducted with great fanfare, has undoubtedly jolted not a few of the more ambitious managers in Indian industry. There is increasing awareness within the ranks of job hoppers that a growing number of firms within industry have developed strong corporate personalities and cultures which are not amenable to abrupt chopping and change.

With the passage of time, the corporate personalities of business firms are likely to develop further, making it commensurately more difficult for the external inductee to adjust to life in the new firm.

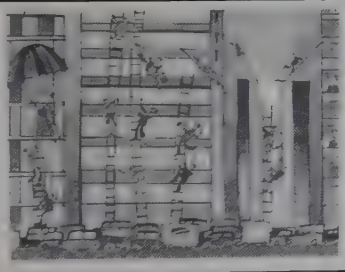
Yet there is no gainsaying that the job hopper or adventurously mobile manager also serves a useful purpose within industry. With his (or her) experience of differing corporate cultures, the job hopper can bring new insights, perspectives and dynamism into his new firm. Just what are the costs and benefits of inducting outsiders into a firm's management, and what are the pleasures and perils of job hopping, is the subject matter of an engrossing cover feature written by our Calcutta-based special correspondent Sujoy Gupta.

Quite obviously there are several pleasures and perils in store for the large number of companies rushing into the lease finance business as well. These are identified in our second lead feature which focuses the spotlight on the leasing industry in which the cutting edges of competition are becoming dangerously sharp.

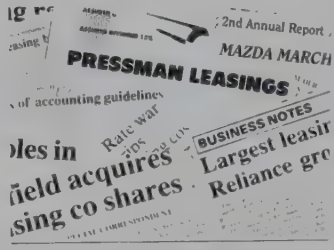
Dilip Thakore

Cover cartoon by Vins

IN THIS ISSUE



44 The pleasures and perils of the job hoppers' fraternity
The recent unceremonious exits of two high-flier chief executives with job hopping records, has set corporate dovecotes across the country aflutter *BusinessWorld* reports.



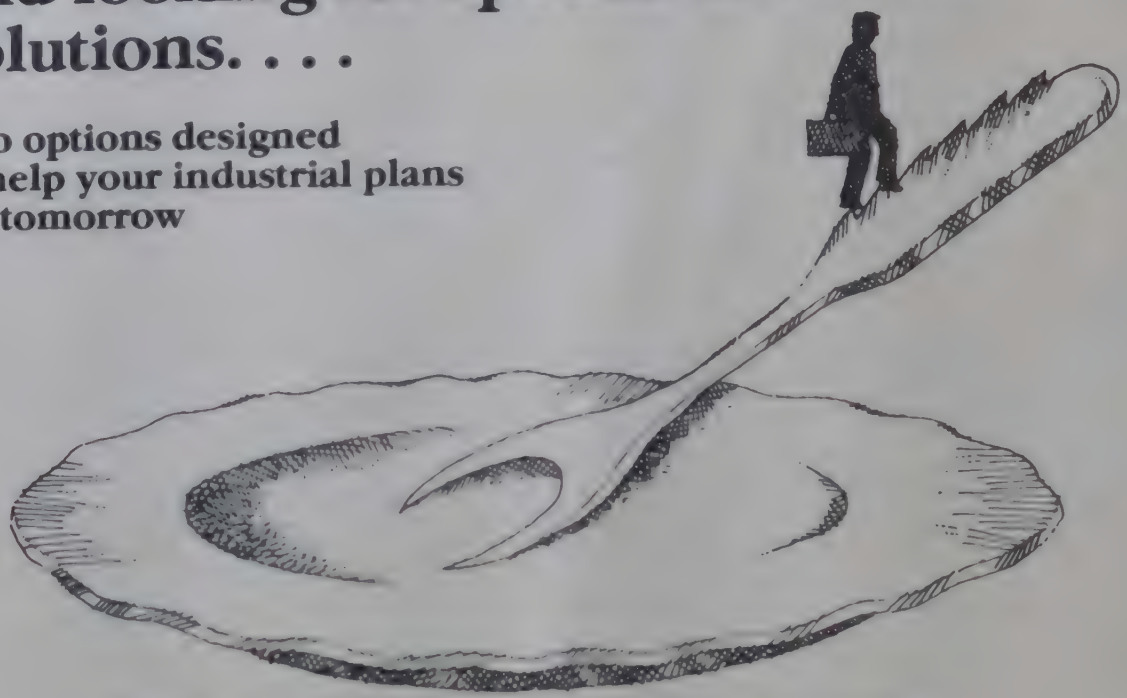
60 New challenges in the leasing industry
The massive influx of corporate entities into the leasing business has sharpened the edges of competition within this service industry, which is confronted with novel challenges.

15 A generational divide
Dilip Thakore is the editor of *BusinessWorld* magazine.
16 The interest capitalisation controversy
A.V. Rajwade is a Bombay-based consultant in international finance and foreign exchange risk management.
26 The larger implications of MODVAT
Narendra M. Apte is a Bombay-based management consultant.
27 The budget & capital gains
H.P. Ranina is a well-known Bombay-based advocate.
41 Equipment replacement basics
Krish Pennathur is a former president of the International Federation of Productivity Sciences
53 Appeals to emotion
Sushil Bahl is the publicity and public relations manager of Hoechst (India) Ltd.
55 Products & processes
Ranjit Hira is the chief executive of Applied Technologies, Bombay.
73 New World Bank chief
Mark Tran is a correspondent of the *Far Eastern Economic Review*, Hong Kong.
85 The compact disc revolution
Laura Raun is a correspondent of the *Financial Times*, London.

5 Editorial
6 Letters to the Editor
11 Last Fortnight/ Next Fortnight
15 Political Comment
16 Banking and Finance
16 Business News
26 Economic Comment
27 Taxation
30 In the News
41 Management
42 Careers
44 Cover Feature
53 Marketing
54 Books
55 Technology
56 Leisure
60 Spotlight
73 Letter from Washington
73 International News
85 Letter from Amsterdam
87 International Briefs
88 Company News & Events
91 Investment
92 Stockmarkets
94 Commodities
95 Economic Review
96 Offstage

When you're making profits and looking for special financial solutions. . . .

Two options designed to help your industrial plans for tomorrow



PICUP

Option 1: Leasing of Industrial Equipment.

For modernisation, expansion, diversification, renovation, balancing — or you name it.

Special features

i) The sanction does not involve lengthy appraisals.
ii) No initial investment or promoter's contribution.
iii) Lease rentals are entirely tax deductible.

Eligibility criteria

Existing established industries with good cash flow.

Option II: Equipment Finance Scheme.

For modernisation, expansion, balancing, replacement, energy saving systems and many more.

Special features

i) Superfast loan sanction within 30 days.
ii) Assistance provided upto 80% of cost of equipment, maximum Rs. 100 lakhs.
iii) Machinery imported under OGL also eligble.

Eligibility criteria

i) Should be in operation for at least 4 years.
ii) Should have earned profit and/or declared dividend on equity during preceeding 2 years.
iii) Not in default to financial institutions/banks in payment of their dues.

PICUP

Give your business a PICUP

For further details contact:
General Manager (Finance)
The Pradeshiya Industrial & Investment Corporation of U.P. Ltd.
3rd Floor, Jawahar Bhavan (Annexe)
Ashok Marg, Lucknow U.P. 226 001

F.N/XIII-895

The foreign investment – job creation nexus: a saleable proposition

It is unfortunate that the round table conference of the European Management Foundation (EMF) — the second such meet in New Delhi in the space of 11 months — concluded its closed-door confabulations on 25th March without having achieved much to write home about. Unfortunate, because the welcome quickening of overseas investors' interest in India witnessed in the early days of the Rajiv Gandhi government's five year term in office seems to be quickly dissipating.

Potential foreign investors tend to be too polite to plainly say that entry barriers for imported capital are so high as to be forbidding. Hence the rhetoric at the EMF conference that although foreign investors recognise India as standing out among the newly industrialising countries in offering a number of particularly favourable conditions for attracting foreign investment, "foreign collaborations with Indian entrepreneurs were inhibited by a shortage of foreign exchange and India's understandable reluctance to fall into a Latin American type debt trap."

The Union government's overall policy objectives as far as Indian industry is concerned have been spelt out from time to time by several senior spokesmen, not excepting the prime minister himself.

One, Indian industry has been hitherto overprotected and must be exposed to the winds of international competition if it is to grow. Secondly, competitive capability can be increased only by improving productivity, quality and cost consciousness. Thirdly, improvement is imperative in the whole gamut of the infrastructure sector including *inter alia* communications, power and transport.

It is an elementary deduction that if the achievement of these unexceptionable objectives is to be hastened — after all, the 21st century is but a mere 14 years away — the nation cannot possibly do without the import of both technology and capital. Obviously, it makes no sense to re-invent the wheel in the name of self-reliance, at the enormous cost of time among other factors, when state-of-the-art technology is available in many spheres almost for the asking.

The Union government has already indentified several specific priority areas in which foreign investment is sought to be encouraged, *viz.* electronics, power equipment, industrial machinery, machine tools, petrochemicals and oil exploration, micro-electronics, bio-technology, non-conventional sources of energy and so on. But despite the prime minister's personal invitation to foreign businessmen to "taste the changing temperature of Indian waters" and a cabinet minister's assurance that "your capital is safe with us," recent trends hardly indicate a scramble among overseas investors to board New Delhi-bound aircraft to be the first to seal investment deals in this country. And this is despite a loosening of controls and the claimed transformation of the government official from an "abominable no man" to an "amenable yes man" in the vivid imagery of Union cabinet minister Vasant Sathe.

String of permissions

It is doubtful, however, if the amenability of the largely desk and rule-book bound bureaucrat is congenial enough. For, consider the hurdles which a foreign investor has to negotiate even after a green signal from the all-powerful foreign investment board (FIB) is received. There are a string of clarifications, permissions and licences to be obtained. These range from hair-splitting discussions between investors and government officials as to whether the field chosen is or is not a priority area where sophisticated technology is needed, to an examination whether royalties and technical fees are within the norms laid down by the government. Numerous other constraints are contained for instance in the Foreign Exchange Regulations Act.

Against this backdrop, it is not at all surprising if there is considerable doubt whether despite lip-service to the cause, the Union government is genuinely convinced that direct investment from abroad can make a significant contribution to relieving the foreign exchange crunch and help upgrade the technology of the ageing industrial base of the economy. In the corridors of government power, a hangover from the colonial experience still seems to linger. Foreign and multinational capital is reflexively associated with exploitation in a throwback to the bad old days of the most obvious kind of imperialism.

While such a fear of foreign investment and capital speaks well of the establishment's anxiety to safeguard the independence and sovereignty of the nation, it is also indicative of a studied callousness about the snowballing crisis of unemployment within the Indian economy. It doesn't require any specialist knowledge to deduce that an augmented flow of foreign investment into the economy means an opportunity for gainful employment for the estimated 23 million registered unemployed within the country. It would also be safe to assume that an equal number of unemployed are unregistered.

Indeed, not only within government, but within the establishment as a whole, including the media, the mounting crisis of unemployment to which most of the nation's ostensibly political ailments can be traced, is a blind spot. The obvious linkage between investment — domestic and foreign — and employment generation tends to be ignored. Instead, fears of the concentration of economic power and infringement of national sovereignty have been exaggerated at the cost of the modest material aspirations of the growing number of the unemployed.

Saleable proposition

The common fear which the leaderships of all indigenous political parties entertain is that to advocate the opening of the country's doors to foreign investment a little wider, is a politically hazardous proposition. Whether this fear is justified today, when the economy has grown in size and in the range of products and services it is capable of producing indigenously, is questionable. But this apart, it is submitted, if the proposal to permit foreign capital and investment on a larger scale is directly linked with the number of jobs each cleared proposal is likely to create, it is certain to be a saleable proposition within an economy in which the fear of unemployment is an overwhelming reality. If the costs and benefits of allowing a much larger flow of foreign investment into the economy are clearly presented to the populace, the proposition is certain to win public approval.

Certainly the time is ripe for taking a more liberal and mature stand on the subject of permitting the flow of foreign private investment in much larger volumes than hitherto into the Indian economy. And the 29th Congress of the International Chamber of Commerce scheduled for February next in New Delhi — where the leadership of world business will congregate — might be just the right forum to make such intentions clear once and for all.

Tycoon's tale?

SIR—This has reference to your cover feature 'The global ambitions of M.S. Oberoi' (*BW* March 3-16).

Although you had no other alternative but to write whatever Mr. Oberoi narrated to your correspondent, yet local people and old-timers in Simla will tell you that the British owners of Hotel Clark, Simla, merely gifted away this hotel to Mr. Oberoi completely free. This is not impossible if you consider the similar case of another 'Mohan' of today's Mohan-Meaken Breweries, who in his early days collected empty beer bottles and supplied these to the Dyer Meaken Brewery at Solan near Simla. He was also gifted or rewarded with the brewery, when the British owners left for England.

So not everyone is fooled if Mr Oberoi claims to have paid a sum of Rs. 1,35,000 which, in 1935, was no small amount indeed, and for a steno, it is still an impossible sum. And you can forget the kind 'uncle' bit. Another version is that the wife of the then British owner—named Falleti—of Cecil Hotel at Simla, was infatuated by Mr. Oberoi and was also responsible for rewarding him with the Cecil Hotel, which still carries a name-plate on the main entrance—Falleti's Cecil. I now wonder if you will dare verify the above noted. But you will agree that even tycoons can tell tales.

Pramod Sud
Simla

Taken for a ride

SIR—Your cover feature article on Bajaj Tempo (*BW* March 17-30) was interesting. However, some comments are necessary.

First, Bajaj Tempo's proposed Trax model bears a remarkable resemblance to the Mercedes G series of jeep-type vehicles. These are manufactured by Stoyr-Daimler-Puch in Graz, Austria and are sold as Puch vehicles in Austria and the COMECON countries, and as Mercedes vehicles elsewhere. No mention was made of its price, or the Maruti Gypsy, or DCM-Toyota's proposal to introduce the Land Cruiser. The latter, which sold 10 million vehicles last year, is the largest selling off-road vehicle in the world.

Second, Bajaj Tempo manufactures ZF gearboxes and its associate company, ZF Steering, manufactures steering and differential assemblies under licence from Zahnradfabrik Friedrichshafen, West Germany who are about the best as far as gearboxes go. So all that the R&D people of Bajaj Tempo had to do was more or less assemble (with minor modifications) the engine, gearbox and differential on a newly designed suspension and chassis. If they spent Rs. 33 lakhs on this, it is a very expensive suspension and chassis indeed! By their own admission, the body and chassis are very easy to fabricate.

Three, please tell the ignoramuses at Everest Advertising who executed the Mahindra & Mahindra (M&M) MM540 model advertising campaign, that the track of a vehicle is the width between the centres of the wheels (or tyres), and the tread (width) is the width of the tyre, not vice versa. I presume the advertisement was shown to M&M engineers before being released.

Incidentally, how many hp does the Peugeot XDP 4.90 engine, used by M&M, generate? I got the following figures from M&M's product brochures: 62 hp in the NC655DP, 63 hp (NC640DP), 72 hp(FJ460DP)and 75 hp in the MM 540's advertisement. And all at the same bore, stroke and rpm. Also same compression ratio. Quite remarkable indeed!

Also, the MM540's "new" body was released in 1962 in the US and is due to be replaced for the 1987 model year. Once again, the Indian consumer has been taken for a ride.

Naresh Gianchandani
New Delhi

Small error

SIR—In an otherwise excellent cover story portraying the successful brands of the eighties (*BW* February 17-March 2), Michael Neri has committed a small error. Happiness—a malt drink—was produced by HMM and not Food Specialities Ltd.

Walter Hubert Rau
Bombay

We have received several letters pointing out this error, which is regretted—Editor

Twin-engine hazard

SIR—Debjani Sinha's spotlight article 'Airbus' battle for the skies'(*BW* February 17-March 2) made interesting reading and gave a clear picture of the commercial aircraft manufacturers' battle which is currently being fought.

With reference to the four-engine Airbus A-340 *versus* the twin-engine Boeing 767 sales battle, I would like to highlight a recent trend which is wholly unwelcome to anyone who travels by air. This is the increasing use of twin-engine, two-crew jetliners over long over-water routes, formerly served by four-engine, three-crew jets. A number of well-known airlines ply two-engine aircraft on over-water routes for one reason only: economics. Two engines consume less fuel than four.

One major airline has already experienced several engine shutdowns on its Boston-Paris-Zurich sector. Fortunately, so far there has been no instance of both engines failing in flight. However, not a few pilots believe that if one engine shuts down, there is a high possibility of the second engine also failing, because it will have to be worked harder at lower altitudes for two hours or more to enable the plane to reach an alternate airport. The pressure on a two-man cockpit crew in such an emergency situation has—because of an approximately $500,000 per year saving on an additional crew member—been blissfully ignored.

How can a passenger or pilot be subjected to the risks outlined above and that too repeatedly? One does not need to be a technical expert to appreciate that it is much safer to fly by a 747/DC-10/Tristar/A-340 type of airliner over long over-water routes than by any twin-engine, long-range jet of today. In this context, it is fervently hoped that our own national carrier does not join this trend with its new long-range A310-300s which will, incidentally, replace the four-engine 707s.

Philip Elisha
Calcutta

Sydenham queries

SIR—Your editorial in the issue of February 3-16 refers to the Hindu rate of growth of 3.5%. I would like to know the origin and the significance of this phrase.

Next, I have some queries about the excellent cover feature survey on India's most respected companies, 1985. I am aware that a journal article cannot give as many details as are expected or possible in a survey report by itself. But I am sure that the information I am seeking could have been provided without adding much to the length of the article.

Knowledge score and omission of respondents. It is stated (pp.39-40) that where respondents exhibited a very poor knowledge of a company...they were considered to have no opinion on that company and *were not questioned*

further about it. From this it would appear that the average scores for the different companies are not based on the same set of respondents and so their number differs from company to company. This number should have been given in brackets against the name of each company in the table on pp.40-41.

Experience of respondents. It is stated that 60% of the respondents had 5-15 years' working experience and the remaining 40% had over 15 years' experience. The respondents are thus a heterogeneous group. Two queries arise: (i) Does the proportion of respondents exhibiting 'ignorance' (a knowledge score less than 1) differ between the two groups? (ii) How does the overall score and ranking of the companies differ between the two groups?

In fact, it would have been better to have prepared two separate tables on the same lines as the table on pp. 40-41 and then combined the two only if the differences were not significant. In case this was done, a line to the effect that the two groups of respondents did not differ significantly in their judgements should have been added to the report. It would have increased the information content and hence the value of the report.

In case this separate analysis for the two groups was not done, I would urge you to get it done and thus get more information out of the data.

Prof. N.M. Dongre
Director
Sydenham Institute of Management Studies and Research and Entrepreneurship Education, Bombay

The phrase "the Hindu rate of growth," i.e. an average 3.5% rate of real increase in the GNP annually, which until recently characterised the national economic development effort, was coined by the late Professor Raj Krishna. Secondly, while the suggestion relating to incorporating more data into our main table of the most respected companies cover feature is well made, we also have to ensure that the table is not too cluttered with data—Editor

Modi Xerox's manipulations

SIR—Your spotlight article 'Modi Xerox battles the odds' by Anand P. Raman in the issue dated March 3-16, is definitely informative insofar as it comments on the potential market for xerographic equipment.

However, you have given a detailed account of only one side, which suits and furthers the interest of Modi Xerox. What surprises me is that the recent regulations imposed by the government on small-scale units manufacturing xerographic equipment to eliminate malpractices and screw-driver technology, have not been spotlighted.

Team Xerox has been systematically lobbying with the licensing machinery at the Centre, which has been yielding to its pressures. This will eventually help Modi Xerox attain a virtual monopoly.

Commenting on the government decision to include the xerographic industry in appendix I in the list of core sector industries, Dr. B.K. Modi cautions, "The government should take care not to kill the goose that lays the golden eggs." This statement appears to be innocuous and favouring the xerographic industry in India at large. But do you know the reality?

Team Xerox, with its hi-styled professionalism and sophistication, has managed to persuade the government to re-centralise licensing powers for plain paper copiers by withdrawing the powers held by the state directorate of industries and commerce to promote and develop small-scale units in the states.

In addition, the D.C. (small-scale industries),New Delhi, has been prompted to call upon existing small-scale units to submit fresh phased manufacturing programmes (PMPS) involving an indigenisation content as high as 45% of CIF value of all components during the first year of operations. Further, the D.C. has been reviewing fresh PMPS with a magnifying glass, only to find a fault and close the files speedily, labelling a small-scale unit as a 'screw-driver technology unit.' This will ultimately help Modi Xerox to weed-out the nagging competition in a royal manner.

Anand Raman has reported, without quoting the source, that Modi Xerox itself has not achieved even 10% indigenisation after nearly a year of operations and is no better than a dozen other companies in the industry which merely assemble imported components.

Knowing the current state of affairs in the industry and the frame of mind of the government machinery, it is open to the public to draw their own conclusion from the statement of Dr. Modi.

K.S. Kaikini
Bangalore

Iacocca's lesson

SIR—Lee Iacocca's management articles on the contemporary American business scene and President Reagan's handling of economic affairs are interesting to read, though they may not be of much relevance to the Indian context. But I am very much impressed with two things in his articles which I feel we Indians should try to imbibe.

Firstly, Iacocca's immense pride in America and the American heritage comes through clearly. I think this feeling is common to almost all Americans. I wish we Indians, particularly the educated, affluent and intellectuals among us, were as proud of India and the Indian heritage. Such a feeling of pride will help us to overcome the inferiority complex which British rule has instilled in us and which we have not been able to shed despite 39 years of independence.

Secondly, Iacocca's concern for the growth and welfare of America is also evident in the articles. He has expressed his gratitude to past generations of Americans for leaving behind today's America of prosperity and opportunities. He has also repeatedly expressed his concern about the America he and his generation will leave for future generations. He wants to leave a better one.

On the other hand, we hardly worry about India's future and what we will be leaving for the future generation. Our politicians, businessmen and intellectuals—those who are in the position to influence and shape the destiny of India—hardly worry about the future of the country. We are too busy enjoying the present and do not worry about what will happen to the country in the future. Some of our actions, such as the exploitation of communal and parochial feelings, corruption, smuggling, tax evasion, etc., are definitely going to adversely affect the future of the country.

If we could be as worried as Lee Iacocca, India could be a different country. Let's learn this from him.

Dipen Ghosh
Bombay

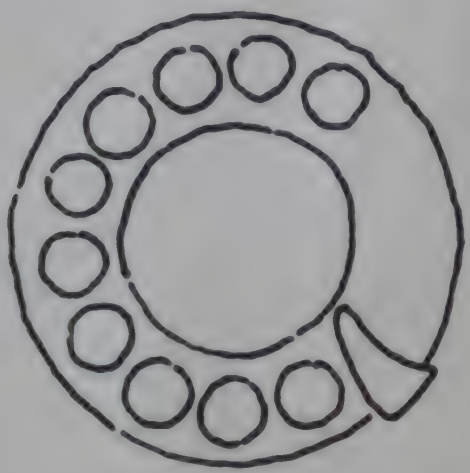
Bank delays

SIR—It is reported that the banking division of the Union ministry of finance had asked banks to take specific measures to cut down delays in the collection of outstation cheques.

Banks are beneficiaries of their own inefficiency in that cheque collection delays mean the unauthorised use of public funds without paying interest thereon.

An upcountry cheque should normally be cleared within 24 hours, plus reasonable time for transit. To the extent of delay beyond this time, customers are entitled to interest. They can claim interest at the inter-bank call

As easy to use as a telephone. And just as indispensable.



Announcing the end of the line for complicated computers

Hello Chi^2, hello simplicity

Chi^2, the new Personal Computer from Chowgules.

Converse with it in a language simple and human: English. Trust it to run over 5,000 tried and trusted programs: Chi^2 is IBM PC/XT compatible.

Then look up its specifications. Chi^2 is simple enough to make computing look like child's play, but it's advanced enough to match costlier and bigger systems in capacity and speed.

Plus an experienced servicing team that's on call, whenever you call.

Sounds perfect, doesn't it?

So go ahead. Dial a telephone and get us on the line.

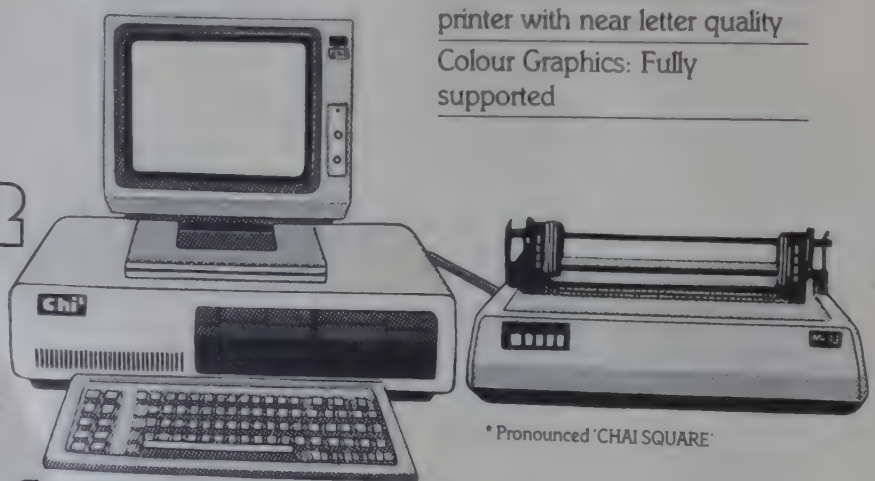
SPECIFICATIONS:

- Microprocessor: 16 Bit, Intel 8088
- Memory: 256 KByte RAM
- Storage Capacity: 360 KByte × 2 on 5¼" floppy (Chi^{2}PC)
  360 KByte on 5¼" floppy, plus 10 MByte hard disk (Chi^2 PC/XT)
- Printer: 132 column dot-matrix printer with near letter quality
- Colour Graphics: Fully supported

Chi^2

PC/XT

THE NEW PERSONAL COMPUTER



* Pronounced 'CHAI SQUARE'

So simple because it's so advanced.

IBM is the Registered Trade Mark of International Business Machines Corporation

LINTAS CIL PC 112418

Marketed and Serviced by
CHOWGULE INDUSTRIES LIMITED
The new force in office equipment

Bakhtawar, 4th Floor, Nariman Point, Bombay 400 021. Tel: 2026182
M-3, Connaught Circus, AVG Bhavan, 2nd Floor, New Delhi 110 001
75C Park Street, 2nd Floor, Calcutta 700 016

BusinessWorld
April 14—27 1986

money rate (at present there is a 10% ceiling on it) as the banks borrow less from the inter-bank call money market to the extent that they enjoy the unauthorised use of customers' funds.

It is a sad commentary on the perception of the finance ministry that it has woken up so late to this problem of delays. The banking public cannot expect much relief from the finance ministry's exhortation to banks, if one is to go by the 21st report of the Estimates Committee of the eighth Lok Sabha, presented to Parliament on 20th December 1985:

"According to RBI's review, out of 176 recommendations made by a working group on customer service in their reports submitted in August 1975 and March 1977, government had accepted 136 recommendations. While the State Bank of India and its subsidiaries implemented more than 100 recommendations, 14 nationalised banks implemented only 90 recommendations."

The committee has expressed its "disappointment" that despite its mandate that all recommendations of the working group should be implemented at the latest by March 1985, the finance ministry had glossed over the issue by saying that "the progress of implementation of the recommendations is being monitored by the Reserve Bank of India."

M.R. Pai
President
All-India Bank
Depositors' Associa
Bombay

Expediting share transfers

SIR—The transfer of equity shares valued at millions of rupees is often held up due to outdated transfer deeds. Also, there have been long queues for buying transfer stamps at virtually all the stock exchanges and stamp offices.

Hence, here are two simple suggestions to overcome the above problems: (1) The transfer forms should not bear any date. The companies concerned should date them when received by them, so that problems relating to outdated transfer deeds are avoided. (2) As far as the pasting of transfer stamps on transfer deeds is concerned, let the government authorise sharebrokers to use franking machines which could be similar to postal franking machines. This will obviate a lot of avoidable expense in respect of stamp and labour costs for fixing them, as also the wastage of time and labour involved in doing this.

I would request the government authorities through your columns to give serious thought to the above suggestions, which if implemented would ensure the growth of a healthy capital market. I would also welcome a debate on this topic by way of letters from other readers, in the interests of all concerned.

Janardana N. Mamtora
Bombay

Information please!

SIR—I am a regular reader of *BusinessWorld*. I have plans to establish a plastic synthetics industry. Therefore, I need some special guidance regarding such an industry. I found some addresses regarding such an industry in *BW* (in the news, January 6-19), but they were unsatisfactory. Therefore, you are requested to guide me in this regard. I shall be very thankful to you.

Md. Rizwar Alam Akela
Vill. Kakarwa, ward No. 14
P.O. Ararwa Court
Dist-Purnea, N. Bihar-854311

Sorry, BusinessWorld *is not a management consultancy organisation. We suggest you try the All India Plastic Manufacturers Association, Jehangir Building, M.G. Road, Bombay 400001, or a management consultancy firm*—Editor

Double standards

SIR—Please tell our planners and economists to see the evil effects of the policy of double standards, i.e. unlimited freedom and scope for the growth of industry, but discouragement and difficulties in the way of those who own land, i.e. the farm sector.

May I state it frankly that landowning (farming) has lost its charm. The legislation of land ceilings has created so many problems that farming has become a hell of a job. We cannot think of growth in this restricted atmosphere.

I am afraid our new rulers, without realising this, have pushed this nation on two tracks. They have given the American track to industry, but on the rural and agricultural front, they have chosen something else. They have not foreseen the after-affects of this dual policy. Today, the countryside has become meaningless and irrelevant. Even the new generation of our rural folk is big city oriented and averse to the traditional calling of agriculture. The whole stress and emphasis is on white-collar jobs, the nauseating table-*kursi* culture which is most unproductive and sterile.

I strongly advocate that the new government led by our youthful and smart prime minister Rajiv Gandhi should at once repeal the land ceiling laws and allow the growth of large farms on the American pattern. This will generate wealth and reduce the migration of manpower towards industry, which is also in a mess, as are our villages today.

People just idle away their precious time. They sit and talk for hours without sense and indulge in politics of the dirtiest sort. Let them become useful and productive by joining some big plant or factory. Even if they have seven lives, they cannot become rich by going in for what is described as small farming. I would appreciate some discussion on this subject in your esteemed column.

S.R. Wakankar
Shujalpur (Madhya Pradesh)

World ad congress

SIR—The International Advertising Association will hold its 30th World Advertising Congress in Chicago, USA, from 26th to 30th May 1986. Thirty-nine of the finest minds in international industry including those of Roger B. Smith, chairman, General Motors Corporation, USA; Rupert Murdoch, chairman, News Corporation Ltd., Australia; and Malcolm Glenn, managing director, International Herald Tribune, Hong Kong, will participate.

Jean-Claude Boulet from France will speak on 'How companies and brands become leaders faster.' Roger Pereira from India will present an Asian perspective. And the other topics being discussed include 'Self-regulation in advertising,' 'The future of advertising,' 'Technology,' etc.

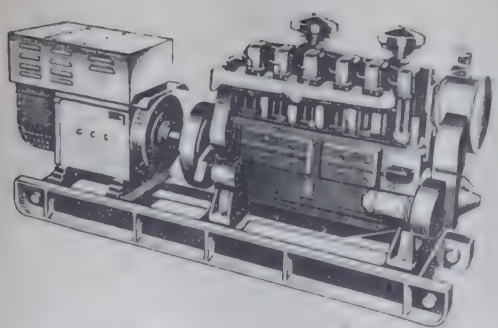
Details of the congress and application forms can be collected from the President, International Advertising Association (India chapter), C/o. Marketing Consultants & Agencies Ltd., Mehra Complex, 42 Millers Road, Bangalore-560052.

T. Sreenivasachar

BusinessWorld invites letters from readers on matters of topical interest. Letters should preferably by typed and should not exceed 250 words.



Install a rugged reliable RUSTON DIESEL GENSET for dependable power!



Let's face it! The power crisis can hit you any day... any time! Resulting in heavy losses to your industry

Plan ahead now! Install a heavy duty Ruston genset to run your key machines. Your long term solution to the increasing power shortages facing industry in future

WHY IS RUSTON THE BEST CHOICE?

Compare Ruston gensets with the others! And you'll see their unique advantages. Round-the-clock performance at full load. Outstanding fuel economy. Longer period between overhauls. Factory engineered, assembled, tested and guaranteed. Easy on-site maintenance. Certification to international standards like Lloyds, ABS, Bureau Veritas, IRS and MMD. And of course Greaves' efficient service and spares support countrywide.

SOLD & SERVICED BY GREAVES

GREAVES COTTON & CO. LTD.
Ruston Division
- 1, Dr. V. B Gandhi Marg, Bombay 400 023.
- Thapar House, 25 Brabourne Road, Calcutta 700 001
- Express Building Annexe, 9-10 Bahadur Shah Zafar Marg, New Delhi 110 002.
- 13, Second Line Beach, Madras 600 001

RUSTON GENSET
Your permanent powerhouse!

Alfred Allan-3147

24 APR 1986
C. F. T. R. I., MYSORE

MARCH 22

The Union finance minister V.P. Singh said in New Delhi that the government would exempt shares from the capital gains tax. The minister was inaugurating the annual general meeting of the Federation of Indian Chambers of Commerce and Industry (*BS*).

While delivering the fifth convocation address at the Institute of Rural Management (Gujarat), the prime minister Rajiv Gandhi urged industry to use modern technology to improve production and productivity in rural and backward areas (*FE*).

MARCH 23

According to a report from New York, the Union Carbide Corporation and lawyers for some of the Bhopal gas victims have reached an out-of-court settlement involving a compensation payment of $350 million (*ET*).

MARCH 24

The World Bank and its affiliate, the International Development Association, have agreed to sanction two loans aggregating to $531 million (Rs. 637 crores) and a credit of SDR 127.5 million (Rs.168 crores) to help finance Indian projects in the agricultural sector and in the cement industry (*ET*).

MARCH 25

The Union government has introduced a new incentive scheme for the cement industry. According to the scheme, old and new cement units' levy obligations would be reduced to 40% of the actual production if they undertake to scrap their wet-processing kilns and replace them with new dry process kilns which are more energy efficient (*FE*).

MARCH 26

The government of India has rejected the Union Carbide Corporation's proposal to settle the Bhopal gas leak compensation claim with a payment of $350 million (*ET*).

MARCH 27

The Maharashtra governor Kona Prabhakara Rao resigned in the wake of the Bombay university senate's censure of his role in the MD examination mark scandal.

MARCH 28

The public sector Maruti Udyog Ltd. has increased the prices of its various vehicles between 3.69% and 14.3%.

The army was put on alert throughout Punjab following the killing of 13 innocent people by stengun-wielding terrorists (*FE*).

MARCH 29

According to a report from New Delhi, the overall industrial relations situation in the country during calendar 1985 was substantially more peaceful than in earlier years. India lost only 29.20 million mandays in 1985 against 56.03 million during 1984. The production loss due to strikes and lock-outs during 1985 aggregated to Rs. 261 crores against Rs. 386.65 crores during 1984 (*FE*).

MARCH 30

The Union government has decided to allocate two million tonnes of wheat free of cost to state governments to support the states' rural employment programmes during 1986-87 (*FE*).

MARCH 31

The Helicopter Corporation of India agreed to buy 27 Dauphin helicopters from France (*FE*).

APRIL 1

On the basis of the recommendations of the Jha Committee report, the Union government has decided to continue with the existing financial year (April-March).

APRIL 2

The Union finance minister V.P. Singh announced major modifications in the finance bill, 1986. The modifications include a return to the status quo ante in respect to the taxation of inter-corporate dividends and the exemption of small units with a turnover of up to Rs. 15 lakhs from the payment of excise duty. The finance minister also assured tax payers that residential premises would be excluded from the purview of searches by tax officials (*BS*).

APRIL 3

The Reserve Bank of India announced a relaxation in selective credit controls and greater flexibility in the implementation of the Credit Authorisation Scheme.

Dr. Shankar Dayal Sharma, former governor of Punjab, was sworn in as governor of Maharashtra.

APRIL 4

The World Bank sanctioned a loan of $485 million (Rs. 582 crores) for three gas-based power projects under the NTPC (*ET*).

BS = Business Standard, ET = The Economic Times, FE = Financial Express

NEXT FORTNIGHT

April 14 to 26, 1986
Enterprise launching & management
Venue: NIESBUD, New Delhi
Organisers: National Institute for Entrepreneurship & Small Business Development, New Delhi (Tel: 630199)

April 17 & 18, 1986
Import policy of India
Venue: Calcutta
Organisers: Indian Institute of Foreign Trade, New Delhi (Tel: 655124)

April 20 to 26, 1986
International marketing programme
Venue: Hotel Broadway, Srinagar
Organisers: International Management Institute, New Delhi (Tel: 312913)

April 21 to 25, 1986
Management of computer centres
Venue: Guwahati
Organisers: Management Development Institute, Gurgaon, Haryana (Tel: 22117)

April 23 & 24, 1986
Industry, environment and man
Venue: Regional Labour Institute, Calcutta
Organisers: Calcutta Management Association and Regional Labour Institute, Calcutta

April 23 to 27, 1986
Corporate profitability through materials management
Venue: Kathmandu, Nepal
Organisers: Indian Institute of Materials Management, Bombay (Tel: 346081)

April 24 to 26, 1986
Product management
Venue: Taj Mahal Hotel, Bombay
Organisers: Consulting & Research Enterprise, Hyderabad (Tel: 233048)

April 28 to May 3, 1986
Supervisory development course
Venue: CMA auditorium
Organisers: Calcutta Management Association, Calcutta (Tel: 442815)

APPOINTMENT

ABC's major specialisations include Corporate Consultancy

Project Reports • Operations Research • Industrial Engineering • Systems & Procedure

MIS • Computer Feasibility • Materials Management • Socio Economic Studies

GENERAL MANAGER

Finance & Management Accounting

Calcutta **Excellent Terms**

We have been retained by a high technology **Electrical Engineering** Company to select an innovative person to take up the position of General Manager (Finance & Management Accounting) for them. Annual sales turnover is around Rs 35 Crores.

Our clients are looking for a young & ambitious manager who will be responsible for all aspects of financial management & management accounting functions. He should be **capable of generating & implementing innovative ideas;** introducing new concepts in accounting systems; controlling net current assets at the lowest level and creating new sources of finance. We are, therefore, looking for a **high performer.** Successful experience of atleast 5 years in a responsible management position in a similar line and results achieved therein will be the sole criteria for selection.

Overall remuneration package will be around Rs 1.5 Lakhs per annum. However, remuneration will not be a limiting factor for the right candidate. Prospects for career growth are considered as excellent. On being successful, there will be interesting opportunities for **promotion to Managing Director's position** in Associate Organisation. Please write to **B P Agrawal, Chairman** within 10 days and mark the envelope & enclosures with job title & code GMF/CAL/2106. Particulars of age, education, current position & responsibilities, emoluments drawn & expected, contact telephone numbers should be clearly mentioned in the bio-data.

ABC CONSULTANTS PRIVATE LIMITED

Head Office : 43/3, Hazra Road, Calcutta 700 019, Phone : 473688 (5 Lines)

Organised Cost Reduction • SWOT Analysis • Data Processing

APPOINTMENT



GUJARAT NYLONS LIMITED

1st Floor, Golandaz Building
Golandaz Street, Nanpura, Surat - 1

Requires

(1) GENERAL MANAGER

The applicant will report to Managing Director and head the engineering/manufacturing functions/operations.

During the implementation stage he must monitor the implementation schedules and ensure that exacting targets are met. He should have strong management abilities with good communication skills and team spirit. He must demonstrate initiative, drive and innovative skills. He must have experience in implementation of large size project.

The applicant should have proven track record at a senior level in unit engaged in Man Made Yarn Manufacturing. Experience of at least 10 years at independent unit level, knowledge of computer based manufacturing system would be an advantage.

Applicant should be preferably Post Graduate in Textile Engineering/Polymer Science/Technology/Textiles Diploma in management will be an additional qualification.

(2) SENIOR PROJECT ENGINEER (CHEMICALS)

Candidate having basic qualification in Chemical Engineering specialisation in Polymer Technology with minimum 5 to 7 years experience in the field of Poly-merization in the Man Made Fibre Industry.

(3) PURCHASE/PROCUREMENT OFFICER

Candidate should be an Engineering Graduate (Preferably Mechanical) with atleast 5 years experience in purchasing materials and keeping inventory records. etc. and familiar with all formalities of Import Procedures.

Age : For (1) & (2) around 40 years.
For (3) around 35 years.

Salary to commensurate with educational qualifications and experience.

Application may please be made within 10 days giving details of qualifications, experience, salary drawn and expected to :

MANAGING DIRECTOR

PRESSMAN

LIC's unique Group Gratuity Scheme benefits employer and employee

"because I know it gives me **full life cover.** So my family gets gratuity based on my **full employment term...** even if something happens to me before that term is up

And because I can count on **ready payment** whenever my gratuity should fall due.

And because I feel secure, knowing my gratuity is in **LIC's professional hands.**"



"...because it saves me a lot of financial and managerial problems. **No clerical and accounting bother.**

And because it offers better benefits under the recent **Cash Accumulation Plan.** And because my premiums are **allowed as expenses in IT assessment.**

And because I can rely on **speedy settlement** of gratuities due... which is good for employee morale. And because it more than offsets my liabilities with an **accumulating asset.**"



LIC's Group Gratuity Scheme.
The easy, economical, efficient way to handle employee gratuities.

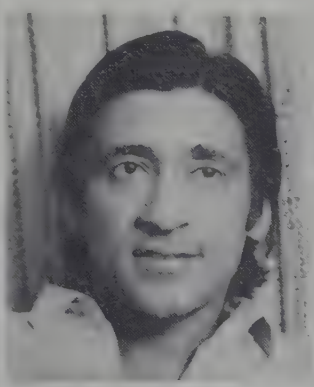
Life Insurance Corporation of India

For details, contact the nearest LIC office.

daCunha/LIC/179/86

A generational divide

DILIP THAKORE



Clearly, the love affair between the Rajiv Gandhi administration and the public which lasted for almost a year after that fateful morning of 31st October when Mrs. Gandhi fell under a hail of assassins' bullets, is over. It was brief, ecstatic and good while it lasted. But today the relationship is clouded with doubts, fears and recriminations. The brave new generation promised much, but has delivered little.

Of the various groups which constitute the amorphous mass known as the public, perhaps the most disillusioned is the intelligentsia. In these parlous times, not a day goes by without one media pundit or the other lambasting the Union government or its leader — prime minister Rajiv Gandhi — for one or the other sin of commission or omission. The forthright and decisive prime minister, who less than a year ago could hardly put a foot wrong, can do little that is right today.

Thus for media pundit Girilal Jain, Rajiv Gandhi is an outsider to the indigenous political process who harbours a naive belief in the efficacy of "Swatantra politics." By virtue of Rajiv's privileged upbringing and education and because of his perceived failure to comprehend what Jain describes as the complexities of the Indian political process and the "complexities of the village," Jain has come to the implicit conclusion that Rajiv Gandhi — and his administration — is doomed to failure.

Jain's lack of confidence in the new generation government is shared by another highly respected political commentator. In the regular column he writes for the *Economic and Political Weekly*, Romesh Thapar, editor of the highbrow monthly *Seminar*, could scarcely disguise his contempt for the "*baba-log* government" in New Delhi. "It's the *ayahs'* expression for the mollycoddled kids of the upper classes. They are seen as playing games, playing government, and for the fun of it. These *baba-log* have become the despair of wide sections — yes, even within the corrupted ranks of the Congress party..." writes Thapar.

CLASSIC CHARACTER

Certainly, some of this and other criticism of the Rajiv Gandhi administration made by other media pundits such as columnists Rajinder Puri and Arun Shourie, is justified. The new generation government in New Delhi has shown itself to be weak, indecisive and floundering in a sea of contradictions. It began its term as a liberal administration bent on loosening many of the shackles which have tied down Indian industry, and imbued it with the classic character of an economy of planned shortages riven with official corruption.

Yet, not far down the line, most of the government's liberal new policies have been derailed or rendered ineffective by the obstinate bureaucracy or the rank and file of the ruling Congress party. The *babus* and *netas* obviously prefer the *status quo*, and particularly the retention of the plethora of discretionary powers vested within the political and bureaucratic superstructure. It is also patently obvious that the top level leadership of the government and the ruling party lacks the boldness and resolution to push its policies through Parliament or at the implementation level.

But while it is true that the impetuous brave new policies — both political and economic — of the administration are creating confusion rather than clarity, it is disingenuous to deny that their basic directional thrust and orientation is correct. Girilal Jain's attack on Swatantra economics undoubtedly makes good populist reading. Yet in a wider perspective it is also indicative of a bankruptcy of ideas and the helpless fatalism that is characteristic of the older generation, which the record shows, has been wholly unequal to the task of fulfilling the modest aspirations of the masses.

Attacking the Swatantra bogey might strike an emotionally responsive chord within the intelligentsia, but a moment's reflection will indicate that there is no workable alternative economic development model within the democratic framework. The post-Independence revolution of rising expectations has been so cruelly betrayed by the soft state socialistic economic development model, that the public sector has to be denationalised and the rigours of centralised planning have to be relaxed if the dreams and aspirations of yet another generation are not to go up in smoke.

The one overwhelming redeeming feature of the leadership of the Rajiv Gandhi administration is that it seems to have grasped this reality. Obsessed with — and perhaps paralysed by — the complexities and technicalities of indigenous socio-political realities, media pundits on the other side of the generational divide have consistently failed to see the wood for the trees. Consequently, only rarely have they been able to read the mood of the people or identify their primary hopes and concerns. This is one explanation why the electoral predictions of the media heavyweights have rarely been accurate.

Therefore, to argue as media pundits such as Jain and Thapar among others do, that the blunders and confusion that characterise the Rajiv Gandhi administration are the consequence of an ignorant and mollycoddled youthful leadership "playing government," is untenable. In terms of vision, foresight and the ability to see the big picture, the Rajiv Gandhi government has acquitted itself well. Its infirmity is not that it is brash and arrogant as these pundits allege but, on the contrary, that it is too mindful of the sterile opinions and advice of a has-been generation which has been tried and found wanting.

COMPENDIUM OF CLICHES

Seen in this perspective, many of the failures of the Union government can be explained. Its retreat from the much needed Swatantra economics is a consequence of heeding the advice of party elders who substituted the economic resolution of the AICC in the summer of 1985 with a compendium of cliches about the primacy of the public sector. Likewise, the reactionary Muslim women's divorce bill is the consequence of heeding the advice of elders within the Muslim community. And in Punjab the Centre's problem is that it has to deal with a state government led by weak-kneed old men steeped in the irrelevantly complex politics of a bygone age.

The tragedy of Rajiv Gandhi and his new generation government is not that it is steeped in brash ignorance. On the contrary, it has the virtues of vision, foresight and a back-to-basics approach to the business of government. Yet, because it is not shored up by a strong ideological foundation, there is a will-o-the-wisp quality about its performance record. Its goals, priorities and ideological bent are patently in consonance with the mood of the nation. All that it lacks is determination and the courage of its convictions.

BANKING AND FINANCE

A.V. RAJWADE

The interest capitalisation controversy



The budget amendment in the taxation laws regarding disallowance of interest included as a part of the "actual cost" of an asset, has been followed by a flurry of statements by spokesmen of several large companies that the proposed measure is likely to have only a marginal effect on their tax liabilities — and hence on reserves. However, little or nothing has been said about the likely effect of the disallowance of capitalisation of interest on the finances of these companies in relation to cash flows and the quantum of free reserves which are available for distribution of dividend as well as the issue of bonus shares.

It would be useful to examine the problems which are likely to arise with reference to a realistic, even if hypothetical, case. The capitalisation of interest works out as follows: If, in order to purchase certain capital goods, a loan of Rs. 100 has been taken at an interest rate of 15% repayable in equal half-yearly instalments over a period of 10 years, the total interest payable amounting to Rs. 78.75 is capitalised. The company writes off depreciation on the asset valued at Rs. 178.75 in its books of account on a straight line basis. Had interest not been capitalised, the annual debit to the profit and loss account for the interest would be much lower in the initial years as compared to the additional depreciation because of interest capitalisation. It works out as follows:

- In the first year the interest would be Rs. 14.63 while the additional depreciation would be Rs. 8.44, resulting in a net addition of Rs. 6.19 to the company's profit before tax.
- During the first four years, the total net addition to profit before tax works out to Rs. 15.34.

Moreover, in view of the higher depreciation and investment allowance claimed, the net accretion to reserves, or after tax profits, works out to an even greater sum.

From the cash flow viewpoint also, apart from the tax saved on investment allowance (no mean sum itself at 9.85% of the loan amount), the company would benefit from higher depreciation allowances in the initial years. Over the ten year period of the loan, the net present value (discounted at 15%) of tax saved as a result of interest capitalisation works out to Rs. 35.51, while the net present value of tax saved had interest been charged as a revenue expense would be Rs. 23.96 — an after tax cash flow benefit of 11.55% of the loan amount. The attractions of capitalising interest for profitable companies are thus obvious.

Moreover, interest capitalisation also benefits loss making companies. This is because, under the income tax law, while unabsorbed business losses, which include interest since it is treated as a revenue expense, can be carried forward for set off against current profits for a period of eight years only, unabsorbed depreciation can be carried forward indefinitely.

Another variation of the treatment accorded to expenses incurred under the head 'interest' in corporate balance sheets is noticeable in the case of some shipping companies. The practice followed by them is to write off the interest over the life of the ship, e.g. 20 years for new vessels. The difference between interest paid and interest charged to the profit and loss account (i.e. 5% of the total interest payable) is transferred to a separate deferred interest account.

Spectacular effect. Based on the same assumptions as in the earlier case, the effect on book reserves is even more spectacular. The difference between interest paid and interest charged to revenue — i.e. the net addition to reported profit before tax — would be Rs. 10.69 in the first year itself, while the total net addition to profit before tax in the first four years would be as high as Rs. 33.74. This practice of course does not have any tax impact because interest is not, strictly speaking, capitalised.

On balance, one has to admit that the practice of capitalising interest was based on a highly artificial, even if technically correct, interpretation of the "actual cost" of an asset. The finance minister has done well to deny the resultant tax benefits and window-dressing of balance sheets to the more avant-garde companies in the corporate sector. Yet it is also true that making such changes with retrospective effect is hardly conducive to generating greater confidence in government policies.

INDUSTRY

Clash of super egos

History, it is said, repeats itself — the first time as a tragedy, the second time as a farce. And for the second time in the past 12 months, the Federation of Indian Chambers of Commerce and Industry (FICCI), the apex body representing Indian trade and industry, finds itself in the throes of a major crisis even as it enters the diamond jubilee year of its existence.

In much the same fashion as events that occurred at the time of its last annual general meeting (AGM) in April 1985, at its recently concluded AGM in New Delhi on 24th March FICCI was again rocked by a spate of resignations which threatened to undermine not just its national pre-eminence but also to shred the last vestiges of the prestige it has fought to retain. But unlike on the previous occasion, the crisis is deeper this time as the decision of the Bombay-based Indian Merchants Chamber (IMC) to break away from the FICCI ranks once again has found echoes elsewhere as well, with the New Delhi-based J.K. group also deciding to pull out. Despite his tight-lipped confidence, takeover tycoon R.P. Goenka, the newly elected FICCI president, must be given to wondering if he has been elected to preside over the dissolution of the organisation.

There is a certain irony in this, for despite the considerable infighting in FICCI over the past two or three years, which had led to the refusal of both the prime minister and the finance minister to address the annual FICCI conclave last year, this year, both came to deliver their homilies to the august gathering of the captains of industry. It would have been a real slap in the face for FICCI had they refused, for the past few months have seen Rajiv Gandhi and V.P. Singh address numerous closed-door meetings of Indian and foreign businessmen from platforms such as those of Business International, Young President's Organisation and the EMF-Round Table on India. The magic of having a real industry heavyweight such as Goenka himself as president appeared to be working, at least on the surface.

Emotional farewell. But the Goenka magic failed to work on the second day of the recent conclave (24th March) — which is always the hour of reckoning, being election day — when matters came

to a head and Viren J. Shah, an influential committee member of the IMC, bid an emotional farewell to FICCI,complete with poetic quotes. "For me, this is the last time on this platform after 21 years in the organisation," he said. Three days later, the IMC formally ratified its decision to quit FICCI at a meeting in Bombay, while Hari Shankar Singhania, chairman of J.K. Industries, also conveyed his decision to do likewise to a hapless Goenka. With observers suggesting that quite a few other industrial houses are seriously thinking of severing their ties with FICCI, clearly the stage has been set for a feverish exercise in crisis management, despite the breach being termed as "complete and irrevocable."

The dispute is as simply identifiable as it is complex to resolve: control of FICCI. In recent years, industrial groups of the emerging north have forged an alliance with those of the dying east to rule supreme in the organisation, in much the same manner as the fast growing west has done in the past. Although observers opine that this could happen as a natural consequence of industrial development, it is the sleight of hand approach unabashedly adopted by the Birla-Modi combine that has incensed the west. Indeed, the IMC was wooed back into FICCI only on the assurances given to them that not only would the so-called 'bogus' members be weeded out within a specified time-frame, but all vital matters regarding the power structure of FICCI would also be decided through a system of "consensus."

Nor can anyone deny such an undertaking, for it was set down on paper as a 'memorandum of understanding' after 13 leading industrialists — Pravin Gandhi, Hari Shankar Singhania, K.N. Modi, Viren Shah, J.P. Thacker, Arvind Lalbhai, P.S. Mathuradass, M.V. Arunachalam, Haja Sharreef, D.C. Kothari, A.K. Jain, S.K. Birla and R.P. Goenka — had conferred together in July 1985 and set their signatures to it. Little wonder then that Pravin V. Gandhi, a member of IMC and its former president, says, "We retracted from our decision last year on the assurance that the then identified 1,300 bogus members would be weeded out by September 1985. The weeding out process was extremely slow. Despite an agreed formula to reduce the number of bogus memberships by 1,200 in March 1986, i.e. six months after the final date, over 200 bogus members remained on the FICCI register. We realised that the attempt was half-hearted and hence we decided to pull out. Enough is enough."

Enough clout. Thus, of the remaining FICCI membership of about 650, there are still nearly 250 members who are controlled, directly or indirectly, by the Birla-Modi combine, giving them enough clout to fill the various committees of FICCI with their own nominees. It is therefore not surprising that the nominees of the IMC withdrew when they realised that they will have little say in the decision making process at FICCI. As Viren Shah,



Goenka: precipitate action

who contends that there are 350 bogus members in FICCI, puts it, "At every meeting, when the question of bogus members is raised, the issue is sidetracked on one pretext or the other. Moreover, somebody from either the Birla group or the Modi group attends these meetings, but they are never present together and hence decision making becomes difficult."

The ire of the IMC group runs so high that they have even said that R.P. Goenka, who made a public promise in December to quit his vice presidentship if the issues were not sorted out, ought to stick to his word and have even branded him a Modi-Birla man. However, the much chastened Goenka, who is the target for all the flak, is defiant. "As a consequence of my efforts nearly 960 members who were bogus submitted their resignations by 22nd March. What does this leave? Another 240. I have promised that another 140 of this will be out by 30th June 1986, bringing the total number of bogus members left in FICCI to 100 or so. I am also committed to getting their resignations. So why should anybody take such a precipitate action?" he asks.

In fact, so convinced is Goenka that he has substantially fulfilled his promise regarding the issue of bogus membership that he has claimed that it is another matter altogether, namely the question of who is to occupy the vice president's chair of the Indian National Committee (INC) of the International Chamber of Commerce (ICC), that has caused the fracas in FICCI. It must be remembered that Indian industry will play host to the ICC meet in New Delhi early next year for the first time in its history.

According to the consensus mechanism operating in FICCI, the choice of vice president of the INC was to be made by a four member panel consisting of M.V. Arunachalam, A.K. Jain, Viren Shah and R.P. Goenka as convenor. The two candidates for the position, as matters emerged, were S.K. Birla and Hari S. Singhania, setting the lines of battle out clearly. When the so-called consensus committee itself found that it was in a deadlock over the issue, with Viren Shah and Jain backing Singhania, and Goenka and M.V. Arunachalam backing S.K. Birla, the matter was referred to the supreme authority: the 'elders' committee.

Blatant falsehood. This committee, made up of Dr. Bharat Ram, S.P. Jain and K.K. Birla, however was not acceptable to the Birla-Modi combine for it was obvious that K.K. Birla would not participate in its deliberations as S.K. Birla is his nephew. The technical ground on which the Birla-Modi group effectively short circuited the proceedings of the elders committee was that the INC was distinct from FICCI and hence the consensus mechanism does not apply to it. "That this is a blatant falsehood is obvious from the memorandum of understanding that was signed by everybody concerned," says an industrialist who prefers to remain anonymous. While the issue appears to have been settled with the resignation of Singhania, the consensus mechanism has however broken down with Dr. Bharat Ram and S.P. Jain reportedly quitting in a huff over the objections raised by the Birla-Modi combine!

In this tangled web of accusations and counter accusations, the one thing that is emerging is that FICCI is clearly ceasing to be the authentic voice of big business. As one government official puts it, "We do not give a damn for FICCI now. It was in the past when what FICCI said made sense and carried weight that we used to give them our ear." Tragically the split in FICCI is taking place at a time when private industry has been given the pride of place in the strategy of economic development as propounded by the Rajiv Gandhi administration. Analysts do not think twice

about comparing the current imbroglio to what happened in 1964 when the Tatas, Mafatlals, Thackerseys and Khataus quit FICCI. The only difference is that the scenario appears bleaker now than it did two decades ago.

Surprisingly, none of the leading lights of FICCI disagree upon such issues as protectionism, foreign collaborations, etc. Most industrialists confess, in private, that it is only on the subjects of access to government and to foreign business circles that a top slot in FICCI ensures, which provokes them to fight over these small plums of office.

More than any combination of tangible factors, however, it is the clash of super egos of which FICCI is a victim Goenka certainly has a tremendous task before him if he is to succeed in nursing these bruised egos back into FICCI. Nor does it appear as impossible as it seems, provided the right bargains are struck. The only problem is that FICCI, in its tattered and torn shape, is itself virtually a bargain, rendering its spokesman's role farcical.

Anand P. Raman in New Delhi

ECONOMY

Time to grow up

There is not a little heart-burning within the powerful and influential fraternity of small-scale entrepreneurs, who manage an estimated 1.3 million small-scale manufacturing units throughout the country, over certain provisions of the Union budget for 1986-87 presented to Parliament on 28th February. Indeed, so angered were small-scale entrepreneurs with some of the budget proposals, that the New Delhi-based Federation of Associations of Small Industries of India (FASII), an apex level body, gave a call for a national strike on 27th March to register its protest.

A national strike call by the entire small-scale sector, which produces 35% of the nation's industrial output and whose growth is politically acceptable, not surprisingly caused reverberations in North Block, New Delhi. Consequently, on 25th March, the Union finance ministry hurriedly issued a notification restoring the *status quo ante* in relation to the concessions and exemptions which were available to the small-scale units prior to 1st March, until 31st March 1986.

Subsequently,the finance minister agreed to meet representatives of the small-scale sector and to announce a fresh package of measures for this sector during the first week of April. Consequently, the proposed bandh was called off and at the time of writing (2nd April), the small-scale sector, which is again in a limbo, is eagerly awaiting V.P. Singh's promised announcement.

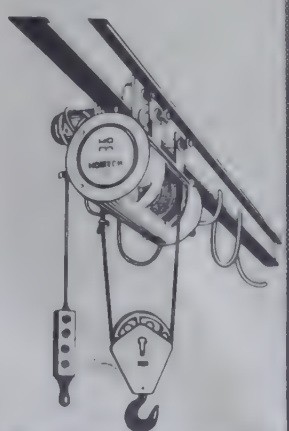
The bone of contention between the small-scale sector and the government is the latter's decision to effect changes in the existing rules relating to the collection of excise duty. The most important of these relates to the abolition of excise tariff item 68 — a catch-all provision stipulating the *ad valorem* excise duty payable on all the commodities not singled out for the levy of duty under other chapters of the Central Excise and Salt Act, 1944.

A reclassification. Prior to its abolition, small-scale entrepreneurs could man-

3 major assets to industries

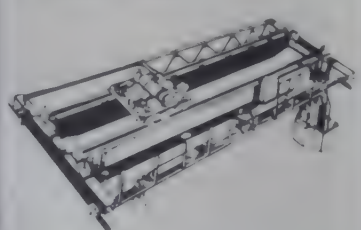
Homech
Electric Hoists

- Capacity 0 25 to 30 tonnes
- Built-in Safety limit switches
- Special Integral Electro mechanical brake
- Adaptable for winch duty, curved tracks and monorail systems
- Suitable for wide variations in I- Beam sizes
- Class F-Type insulation motors



Homech
Electric Cranes

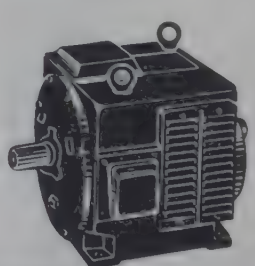
- Capacity upto 100 tonnes
- Manufactured to International Standards
- Electric Overhead, Underslung, & Goliath Cranes
- Power Winches



Manufactured and Marketed by
HO LIMITED m
HOIST-O-MECH LIMITED
2nd Pokhran Road,
THANE 400 601
Phones: 592555, 501477 & 503524
Grams: HOISTOMECH THANE
Telex: 011-71946

Homech
Eddy Current
Variable Speed Drives

- Wide application in almost every industry
- Range 0.2 to 40 kW
- Operates directly from 3 phase 400/440 volts AC power
- Electronic Control for constant torque or constant tension application
- ±2% accuracy in speed regulation
- Sophisticated stepless speed regulation
- Minimum maintenance
- Made in technical collaboration with Rudolf Muchna K.G., West Germany



GJA: 1728

BusinessWorld
April 14—27 1986

ufacture any products falling under tariff item 68 and enjoy a full exemption from the payment of excise duty on these goods up to a sales turnover of Rs. 20 lakhs per annum. However, subsequent to the abolition of tariff item 68 in the budget, the goods under it have been reclassified under other excise tariff heads and the turnover exemption limit for small-scale units has been reduced to Rs. 7.5 lakhs per annum.

Yet another irritant has been the imposition of excise licensing norms on small-scale units which record sales of Rs. 5 lakhs or more per annum. Prior to the budget, small-scale units did not require an excise licence if they were manufacturing goods covered by tariff item 68 and if their annual sales did not exceed Rs. 16 lakhs per annum. And in the case of small-scale units which manufactured goods listed under other excise tariff heads, securing an excise licence was (prior to the recent budget) compulsory only for all those units which recorded annual sales of Rs. 6 lakhs or more per annum. However, in the recent budget the government has removed this distinction and made it mandatory for all units which have sales exceeding Rs. 5 lakhs per annum, to apply for an excise licence.

"Many of the measures proposed in the recent budget in relation to the small-scale sector will hamper its growth. Thus at a time when inflation is eroding the value of the rupee, necessitating the periodic raising of existing limits, the government has actually lowered the turnover ceiling for availing full excise duty exemption from Rs. 20 lakhs per annum to Rs. 7.5 lakhs per annum. Again, this measure, which is aimed at bringing more small-scale units under the excise net, will give excise inspectors greater opportunities to harass small-scale entrepreneurs, many of whom are not-so-well educated or organised, and thus unable to maintain proper records or correctly interpret complicated rules," says Deokisan Sarda (53), vice president of FASII.

Small-scale entrepreneurs also fear that their interests will be adversely affected by the introduction of the controversial MODVAT system of indirect taxation. Comments Sarda, "MODVAT is a good scheme provided it is properly formulated and implemented. It is still unclear as to how it will work in practice and there is widespread fear among small-scale entrepreneurs that if it is not properly implemented, small units will be at the mercy of large companies. This is because under the MODVAT scheme, the excise paid by component suppliers is to be reimbursed by the government to the manufacturer of the final product, who in turn has to pass on this benefit to the suppliers. But as it is, given the delays involved in payments made by the large-scale companies to their small-scale suppliers, these refunds are also unlikely to be made promptly, which will push up the interest costs of small-scale units."

An irony. However, if some of the budget proposals have heightened the apprehensions of the small-scale sector, the reforms were ironically intended to give this undoubtedly dynamic sector of industry a further boost. In his budget speech, the finance minister commented: "In respect of small-scale industry, the objective of reform is to ensure that the scheme of concessions is a ladder and not a lid. That is to say, such concessions should facilitate and encourage healthy growth of the small-scale units and prevent the unnecessary fragmentation and bifurcation of units."



Sarda: harassment opportunities

And to be fair to the finance minister, he has attempted to balance the stick with the proverbial carrot. Even while trying to increase excise collections from the small-scale sector by widening its base, he has made an attempt to solve some of its problems. He has *inter alia* proposed the formation of a separate special fund in the Industrial Development Bank of India (IDBI), termed the Small Industries Development Fund. This fund, when operational, will provide refinancing assistance to small-scale units for modernising and expanding their production facilities.

More significantly, he has rationalised the excise duty concessions which are applicable to the small-scale sector. Prior to the presentation of the budget for 1986-87, small units were liable to pay a concessional excise duty in slabs of 25%, 40%, 75%, etc., of the normal excise levy, depending on their sales turnover — the rationale being, the higher the sales turnover, the smaller the concession. But this was a powerful disincentive for growth and also led to rampant corruption and fragmentation of units with a view to remaining small and thereby paying less excise.

In the budget proposals the slab system has been abolished. Instead, all small-scale units with sales turnovers in excess of Rs. 7.5 lakhs per annum are eligible for excise concessions at a flat rate of 10 percentage points below normal duty, subject to a minimum excise duty of 5%. While in the short term this measure will benefit the larger small-scale units which have been paying a higher excise duty by virtue of their having a higher sales turnover, in the long term the proposal provides less room for excise evasion than under the slab system.

Further, to encourage the pace of growth of small-scale units, the existing sales turnover ceiling of Rs. 75 lakhs up to which small-scale units were eligible for excise concessions, has now been doubled to Rs. 1.5 crores. These measures will not only go a long way in stemming excise duty evasion, but will also prevent the fragmentation of units and provide the much needed incentive for the healthy growth of small units.

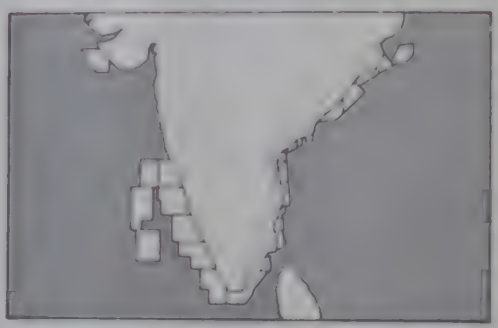
Positive features. Thus, even while there are irritants — such as the bringing of a larger number of units under the excise net by lowering the excise exemption ceiling — the budget is not without its positive features as regards small-scale units. Moreover, from the government's point of view also, the rationalisation of duties — which in the short term, according to the finance minister, will lead to a revenue loss of Rs. 75 crores during 1986-87 — in the long term will stimulate greater production and increase the government's revenues.

This is also perhaps the most compelling reason for the government to rethink some of the less favourable measures introduced in the recent budget in relation to small units. Apart from the fact that the development of the small-scale sector reduces the concentration of economic power, promotes balanced regional development and generates greater employment per rupee invested, it is also a very dynamic sector which can given the right mix of policies, push industrial production indices sharply upwards.

सत्यमेव जयते

The Government of India announces Third Round of bidding for the offshore exploration of oil and natural gas.

The Government of India invites bids from experienced international companies to explore for oil and natural gas in one or more of the 27 offshore blocks indicated in the map.



AVAILABILITY OF DATA

An information docket on each basin has been prepared. It will contain information on regional and local geology and the current status of exploratory activities in the blocks in each basin. Each docket is available at a cost of US $ 1,000/-.

Data packages containing seismic sections, gravity and magnetic anomaly maps, wireline logs, and structure contour maps etc., have been prepared for majority of the blocks and are available at a cost of US $ 10,000 each. For the rest, the entire available data is included in the information docket.

Companies may purchase either the information dockets or the data packages or both. There is no limit on the number of basins or blocks for which data may be purchased.

CONTRACT TERMS

The contract will be in the form of production sharing with

- The possibility of a seismic option
- No signature or production bonus
- No Royalty payment
- No minimum expenditure commitment
- No limit on the allocation of annual production of recovery of cost
- Profit oil share based on post tax rates of return or multiples of investment recovered
- No ring fencing of blocks for corporate tax purposes
- Suitable provisions for production and pricing of gas
- Corporate income tax at 50%
- Purchase of production for domestic consumption to be at international market price

Companies may bid for one or more blocks, singly or in association with other companies. Assignments would be permissible.

PRESENTATION

A presentation of the contract and existing petroleum legislations, applicable fiscal laws, basin review and other relevant information will be made in Delhi, London and Houston on May 7, 14 and 20 respectively.

Representatives of exploration companies are invited to attend. Companies interested in purchasing the data packages and in obtaining further information may write to:

Shri. D.N. Avasthi
General Manager
Oil & Natural Gas Commission
6th Floor, Kailash Building
26-Kasturba Gandhi Marg
New Delhi – 110 001.
INDIA
Telephone No. 3310477
Telex No. 3165,184 IN
3166, 262 IN

Bids should be submitted not later than November 30, 1986 addressed to:

The Joint Secretary (Exploration)
Ministry of Petroleum & Natural Gas
2nd Floor, Shastri Bhavan
Dr. Rajendra Prasad Marg
New Delhi – 110 001. INDIA

CLARION D 124

Already, this sector is extremely capital efficient compared to large-scale sector units. According to data gleaned from the Central Statistical Organisation's *Annual Survey of Industries 1980-81* (published in April 1984), the capital-output ratio for units employing less than 50 workers is 1:3.5, while that for employing more than 5,000 people is an inverse 2.5:1.

With their inherent advantages of lower capital costs, minimal overheads and greater flexibility of operations, small-scale units have an invaluable role to play in the national development effort. The experience of the newly industrialised economies of South-east Asia, indeed bears testimony to the fact.

However, the recent budget has, while opening some doors for small-scale sector units, closed others, thereby perpetuating the *status quo* in terms of opportunities and incentives. This is quite obviously a case of the Union finance ministry's left hand not acting in consonance with its right. Fortunately the finance minister has acknowledged that the rough edges of the budget need to be smoothened out. While there is undoubtedly an awareness within government that small industry is beautiful and undoubtedly efficient, there is perhaps less awareness that it is also extremely fragile and is less resistant than its counterparts, *viz.* the medium and large-scale sectors, to the adverse impact of government policies.

Further simplification. Yet, there is some evidence to indicate that a realisation of the importance as well as the fragility of the small-scale industry is beginning to penetrate the democratic world's most gigantic bureaucracy. For as we go to press, Union finance minister V.P. Singh has announced the doubling of the sales turnover ceiling for availing excise duty exemption from Rs. 7.5 lakhs to Rs. 15 lakhs. In addition, in keeping with the spirit of rationalisation and simplification of procedures, he has further simplified the procedures for obtaining an excise licence by stating that the mere postal acknowledgement slip of an application made to obtain an excise licence will be deemed to be the excise licence.

While it may well be true that these modifications have not completely alleviated the grievances of the small-scale sector crystallised by the budget proposals, it is also true that the administration has responded promptly and met its demands more than half way. It would be churlish to deny that the thrust and direction of the budget proposals — and indeed of the broader policies of the Rajiv Gandhi government — is correct. In the circumstances, the small-scale sector's best response would be to begin the admittedly painful process of growing up.

Binu S. Thomas in Bombay

COMPANIES

Win some, lose some

For years the cigarette industry has been a golden goose for the Central Board of Excise and Customs. The country's leading cigarette manufacturers have vociferously protested against the continuous piling on of excise burdens on the industry, and over the years have diversified into non-tobacco businesses, possibly fearing a collapse under sustained pressure from excise collectors. However, one company which has succumbed to this sustained pressure from the excise collectors and has abandoned its tobacco business is the Calcutta-based Duncan Agro Industries Ltd. (DAIL).

After much speculation — yes they've sold it, no they haven't — and emphatic denials from Tobacco House, Calcutta, the umbilical cord has been finally severed from the parent company, and the New Tobacco Co. (NTC), a wholly owned subsidiary of DAIL, has been handed over to its new owners. Under the arrangement, G.P. Goenka, chairman of DAIL, remains a major shareholder (the quantum of his shareholding, though undisclosed, is believed to be around 49%). The new owner, tobacco tycoon Maddi Venkat Rao based in Andhra Pradesh, is believed to have acquired the controlling interest.

Rao is no stranger to the Duncan group. A scion of one of the prosperous families of the Guntur tobacco belt of Andhra Pradesh, Rao has been a long-time distributor of New Tobacco's brands. Under the new arrangement Rao, together with two of his nominees — V. Venkataraman and N.K. Jain (a former employee of the Duncan group) — has been inducted onto the NTC board. To make room for the new members, DAIL nominees D. Atal, P. Kakkar and Amit Sengupta have resigned from the NTC board, though B. Banerji — the only other DAIL nominee — continues to remain on the newly constituted board.

Though the plan to hive off DAIL's tobacco division was well known in corporate circles — judging by the rumours that periodically wafted through the corridors of the fourth estate in February — predictably the formal announcement of the sale has once again fuelled a fresh bout of gossip. Particularly since NTC has had a troubled history of association with its parent company.

Separate identity. In 1977, National Tobacco was amalgamated with Duncan Agro and became a division of the latter. However, with the boom in the tea industry in 1983-84, the excise burdened tobacco division was lopped off from DAIL and given a separate corporate identity. Thus was born the New Tobacco Co. on 1st April 1984, as a wholly owned subsidiary of DAIL.



G. P. Goenka: no sympathy

Was the lopping off of the tobacco division a forerunner to the sale? Has the less than cordial relationship between the senior executives in charge of critical functions in NTC provided an impetus to sell the tobacco division?

Predictably such speculation is once again percolating through the corporate grapevine, which has prompted rumours suggesting that the corporate battle of egos is responsible for the severing of the tobacco link.

Confronted with these questions G.P. Goenka, an astute businessman, is unfazed. "No, there was no question of selling off the tobacco business when the New Tobacco Co. was reconstituted two years ago," he told this correspondent. "The latest revision in excise duties introduced by the Union government in September 1985 made us realise that the cigarette industry is not likely to get much sympathy from the government and that cigarette manufacture is no

longer a growth business. During the months of September and October we did not manufacture to our full capacity. But in November, when the entire capacity was utilised, we finally felt the impact of the excise imposts. That is when I decided that perhaps it was a good idea to sell off our tobacco interests. At that time I realised that given the heavy excise impost (Rs. 6 crores), it would require a substantial working capital injection of Rs. 7-8 crores to make the tobacco division financially viable. At the same time the returns anticipated were not likely to be commensurate with the fresh investment made. It was against this backdrop that the decision to sell NTC was finally taken," he stated

Commercial decision. The reported bickerings at the top, which are believed to have precipitated this momentous decision, are dismissed by Goenka with a laugh. "It was a purely commercial decision taken in consultation with my senior executives. They also realised that the sale option was the most prudent and practical one that could be taken, given our circumstances."

However, having taken the decision to sell, NTC was not hawked in the marketplace. Among the interested bidders were believed to be big names such as the Modis of Godfrey Philips. But the Jain-Rao team emerged the winners in the stakes to acquire the company, which has 4,500 employees on its muster roll.

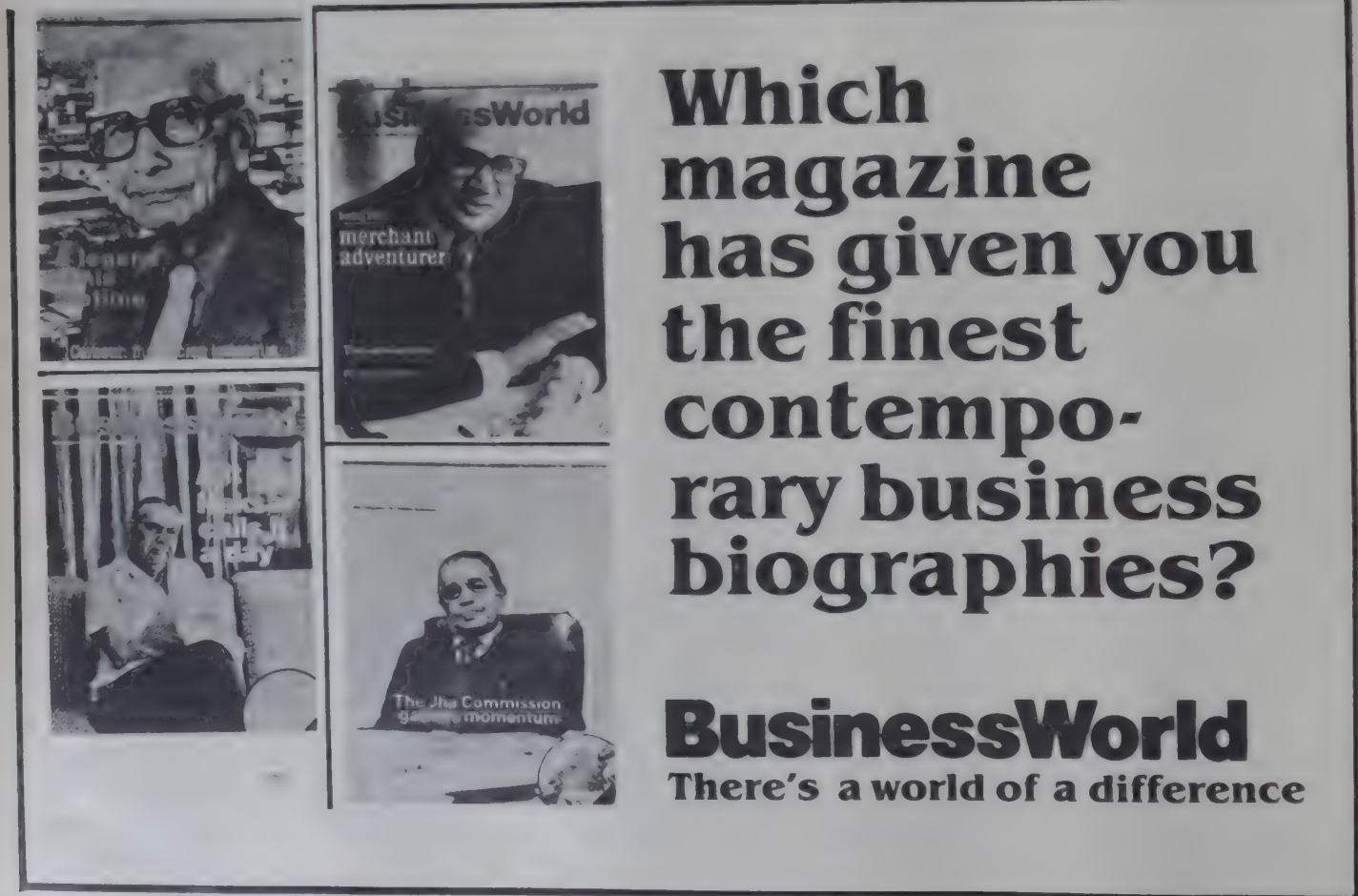
Of the financial arrangement with the new owners, Goenka is reluctant to spell out the details. And since NTC's financial year has been extended to 31st March 1986 (from the previous year's closing at 31st December 1985), the audited figures are not yet available. However, rumour has it that the equity base of NTC has been enlarged, and that is the largesse which the new owners have purchased.

In contrast to the less than rosy picture painted by Duncan Agro executives, the new owners are not as pessimistic. "We hope to break even within six months to a year and make up the existing deficits," says N.K. Jain (45), one of the directors of the newly constituted NTC, who is supervising the day-to-day operations of the company from Tobacco House until it shifts its corporate office to another locale

A former employee of the DAIL group which he left in 1984 to promote his own leasing company (Asian Leasing), Jain has held senior management assignments in various companies in the group, including a stint in DAIL's tobacco leaf division in Guntur. He believes that with Rao's connections in the tobacco trade, the new owners will be in a position to ensure a rapid turnaround in the financial fortunes of NTC.

"It is too early to make any definite promises. But with tighter working capital management and a tighter grip on personnel, we can expect a turnaround in the not too distant future. In that sense, because of the narrow focus of our operations, perhaps we are in a better position to manage NTC than a multi-product, multi-dimensional company such as DAIL," says Jain.

But if the NTC sale has cast a pall of gloom on Tobacco House (ironically, the name of DAIL's headquarters in Calcutta) there is also the proverbial silver lining. Next month a detergent will be launched and forays into high-tech ventures are also on the anvil. "We have been looking at several joint sector projects and they



ISSUE OPENS
FOR NON-RESIDENT INDIANS ON APRIL 19, 1986
FOR INDIAN PUBLIC ON APRIL 24, 1986

IF YOU'RE LOOKING FOR AN INVESTMENT OPPORTUNITY THAT CAN GIVE YOU 207.27% RETURN PER ANNUM...

Invest in TCI's Equity Linked Debenture Issue.

Sell both shares and debentures on allotment

Profit on sale of 50 shares @ current market price of Rs.46*/- per share	*Rs. 1,550*
Less: Discount on sale of 20 debentures assuming 16% yield	*Rs. 125*
Immediate gain on allotment on investment of Rs.2,750/-	*Rs. 1,425*
Return on investment in 3 months	*Rs. 51.82%*
Annual return on investment	*207.27%*

* (Market price Rs.46/- per share as on 13.3.86 — Bombay Stock Exchange)

TCI — The safe and sure company

- ★ Sales have grown more than 400% during the last 10 years (Present turnover Rs.84 crores)
- ★ Net worth today Rs.32 crores
- ★ Gross block today Rs.58 crores
- ★ Profit before tax has nearly doubled in the last 3 years (Current profit before tax Rs.3.07 crores)
- ★ Since 1975, when TCI went public, dividends have been declared every single year, except one
- ★ 3 bonus issues have been offered in the last 8 years (1977-78, 1:1. 1980-81, 1:1. 1985-86, 1:2)
- ★ Investment in one share in 1975 is today worth Rs.376/-

Offer for sale of 10,00,000 Equity Shares of Rs.10/- each for cash at Rs.15/- per share linked to an Issue of 4,00,000 Secured Non-Convertible Debentures of Rs.100/- each for cash at par

- Debentures are redeemable in four lots from the end of the seventh year at Rs.105/- per debenture
- Non-Cumulative and Cumulative Interest Schemes
- 15% dividend assured on allotted shares for the full year
- Easy liquidity. Shares will be listed at Bangalore, Bombay, Calcutta, Delhi, Hyderabad and Madras stock exchanges

INVEST IN

TRANSPORT CORPORATION of INDIA Ltd

YOUR SAFE AND SURE ROAD TO PROSPERITY.

TCI

P.O Box 20, Secunderabad 500 003.

Managers to the Issue
CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LIMITED
Regent Chambers, Nariman Point Bombay 400 021

CANARA BANK
Merchant Banking Division
Atlanta Nariman Point
Bombay 400 021

BANK OF INDIA
Merchant Banking Department
Stock Exchange Towers
Dalal Street Bombay 400 023

Advisors to the Issue
GRINDLAYS BANK p.l.c.
Merchant Banking Division
Mission Road Post Bag 6747
Bangalore 560 002

Registrars to the Issue
BHORUCOM SERVICES PVT. LTD
31A Sarojini Devi Road Secunderabad 500 003

are about to take off," says Goenka. "Together with the West Bengal Industries Development Corporation we are embarking on a project to manufacture acrylic fibre, and with WEBEL we are hoping to manufacture VCRS and micro-wave ovens in the near future," he adds optimistically.

As for corporate takeovers, for which he has exhibited a finesse as well as an appetite, there are possibilities, he concedes, "if opportunities are available within the parameters of the law."

Quite obviously, while Goenka is more than willing to win some, he is also not averse to losing some.

Debjani Sinha in Calcutta

INDUSTRY

Shipbuilders' storm

There is considerable disquiet within small and medium-sized shipbuilding companies in the country over a reported move by the Union government to liberalise imports of deep-sea fishing trawlers. According to the Bombay-based Shipyards Association of India (SAI), an apex body representing the industry, the government, at the instance of the Union agriculture ministry, is poised to permit the import of 500 deep-sea fishing trawlers during the seventh five year plan period (1985-90).

Not surprisingly, SAI has launched a broadside against the government's reported move and in a series of prominently positioned advertisements in the economic dailies in late February, it stridently decried the move. SAI argues that imports of fishing trawlers will not only result in a massive outflow of foreign exchange to the tune of Rs. 500 crores but will also sound the death knell of the sickness ridden shipbuilding industry in the country.

"The large-scale imports of deep-sea fishing trawlers will paralyse the working of Indian shipyards. If the government approves the plan to import 500 trawlers, then over 80% of the market for these vessels in the next five years will be lost by indigenous shipbuilders and several shipyards will be compelled to down their shutters," says V. Kumar (41), a qualified naval architect, who in addition to being the secretary of SAI, is also the director of the Bombay-based Bharathi Shipyards Pvt. Ltd. (sales turnover: Rs. 8 crores in the year ended 30th June 1985).



Kumar: the import of deep-sea fishing trawlers will paralyse Indian shipyards

Marked preference. Nor is Kumar's gloomy prediction entirely misplaced. For, ever since imports of deep-sea fishing trawlers were placed under open general licence (OGL) in 1976, indigenous deep-sea fishing companies have shown a marked preference for purchasing trawlers from foreign shipyards. Indeed, of the estimated 80 deep-sea fishing trawlers currently operating along the country's 6,000 km coastline, as many as 50% are imported vessels.

The Union government of course did show some awareness of the problems of indigenous shipyards when in 1983 it introduced the 1:1 pari passu clause under which it became mandatory for deep-sea fishing companies to purchase one indigenously built trawler for every imported one bought. But even this has not significantly changed the situation as is indicated by the fact that of the 57 shipyards in the country, as many as 15 have closed shop for want of orders.

It is in this depressing scenario that the news of the government's reported move to import 500 deep-sea fishing trawlers — more than five times the current number in operation — during the Seventh Plan period has raised the hackles of shipbuilding companies in the country. Given the large size of the proposed order and the government's silence on the matter, SAI, including its president W.A. Raghavan, has alleged that the government is yielding to pressure from a powerful foreign lobby and that large kickbacks are involved.

Be that as it may, the controversy has also focused the spotlight on the performance of the indigenous trawler construction industry which makes poor reading. Over the last three years, a mere two trawlers have been built in Indian shipyards, which bears eloquent testimony to the state of the industry.

However, according to Kumar, this is because although orders for as many as 82 trawlers have been placed with Indian shipyards since 1984, the bulk of them have been confirmed only in late 1985. Moreover, the shipyards have also been badly hit by raw material shortages. Comments Kumar, "Indigenous shipyards experience considerable difficulty in securing their full requirement of steel plates, about 100 tonnes of which is required per trawler, from the Steel Authority of India. Their problems have been further compounded by the government's recent decision to classify steel imports under the list of restricted imports."

Surprising exemption. Indeed, the Union government's policy towards the indigenous trawler construction industry has been less than favourable. For while it is common for the government to levy customs duties on imports of most goods,

ISSUE OPENS
FOR NON-RESIDENT INDIANS ON APRIL 19, 1986
FOR INDIAN PUBLIC ON APRIL 24, 1986

IF YOU'RE LOOKING FOR AN EQUIVALENT OF A FIXED DEPOSIT THAT CAN EARN YOU 66.67% INTEREST PER ANNUM...

Invest in TCI's Equity Linked Debenture Issue.

Sell shares and retain debentures

Cost of 50 shares and 20 debentures	***Rs. 2,750***
Less: Sale proceeds from 50 shares at current market price of Rs.46*/- per share	***Rs. 2,300***
∴ Effective investment	***Rs. 450***
Annual interest on 20 debentures	***Rs. 300***
∴ Annual recurring interest on investment	***66.67%***

* (Market price Rs.46/- per share as on 13.3.86 — Bombay Stock Exchange)

TCI — The safe and sure company

- ★ Sales have grown more than 400% during the last 10 years (Present turnover Rs.84 crores)
- ★ Net worth today Rs.32 crores
- ★ Gross block today Rs.58 crores
- ★ Profit before tax has nearly doubled in the last 3 years (Current profit before tax Rs.3.07 crores)
- ★ Since 1975, when TCI went public, dividends have been declared every single year, except one
- ★ 3 bonus issues have been offered in the last 8 years (1977-78, 1:1. 1980-81, 1:1. 1985-86, 1:2)
- ★ Investment in one share in 1975 is today worth Rs.376/-

Offer for sale of 10,00,000 Equity Shares of Rs.10/- each for cash at Rs.15/- per share linked to an Issue of 4,00,000 Secured Non-Convertible Debentures of Rs.100/- each for cash at par

- Debentures are redeemable in four lots from the end of the seventh year at Rs.105/- per debenture
- Non-Cumulative and Cumulative Interest Schemes
- 15% dividend assured on allotted shares for the full year
- Easy liquidity. Shares will be listed at Bangalore, Bombay, Calcutta, Delhi, Hyderabad and Madras stock exchanges

INVEST IN

TRANSPORT CORPORATION of INDIA LTD

YOUR SAFE AND SURE ROAD TO PROSPERITY.

TCI

P.O. Box 20, Secunderabad 500 003

Managers to the Issue
CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LIMITED
Regent Chambers, Nariman Point, Bombay 400 021

CANARA BANK
Merchant Banking Division
Atlanta, Nariman Point
Bombay 400 021

BANK OF INDIA
Merchant Banking Department
Stock Exchange Tower

Advisors to the Issue
GRINDLAYS BANK p.l.c
Merchant Banking Division
Mission Road, Post Bag 6747
Bangalore 560 002

Registrars to the Issue
BHORUCOM SERVICES PVT. LTD

it has somewhat surprisingly exempted imported trawlers from any import duties whatsoever. "Given the recession in the world shipbuilding industry, trawler manufacturers abroad are selling trawlers at distress prices. In this situation, it is ridiculous that the government does not think it fit to impose any customs duty on imported trawlers. This is a sure way of killing the indigenous industry," says Kumar.

Surprisingly, even the users, *viz.* the deep-sea fishing companies — although they are divided on the question of quality of indigenously built trawlers — are in sympathy with indigenous shipbuilders. "The government is largely to blame for the crisis in Indian shipyards. After promising them subsidies on the vessels constructed by them in order to neutralise the price advantage enjoyed by imported vessels because of cascading excise duties in this country, the government subsequently reneged on its promise, leaving indigenous shipbuilders high and dry," says the former chief executive of a deep-sea fishing company who preferred to remain anonymous.

Indigenous shipyards which build trawlers, however, do not want the government to subsidise their product. Instead they argue that it would be better and less expensive for the government to accord them protection from international competition. "If the government is unable to subsidise the industry due to budgetary constraints, the least it can do is to accord protection by imposing customs duties on trawlers. This will not only help indigenous shipbuilders but the government as well, for it will not only help reduce the outflow of foreign exchange but will also augment the government's revenues," says Kumar.

Quite clearly, the Union government needs to rethink its policy of permitting liberal imports of deep-sea fishing trawlers. For while the government's goal of stepping up marine exports from Rs. 450 crores in 1985-86 to Rs. 700 crores in 1989-90 is laudable, it cannot obviously be done at the cost of the indigenous shipbuilding industry.

Indigenous shipyards *inter alia* provide both direct and indirect employment to an estimated 55,000 people. Besides, considering that India ranks among the top 10 fish producing countries in the world, the development of the indigenous shipbuilding industry is crucial to the economy in the long term.

The so-called responsive Rajiv Gandhi administration will have to take a fresh look at the problems of the shipbuilding industry whose solution brooks no delay.

V.A. Acharya in Bombay

ECONOMIC COMMENT

NARENDRA M. APTE

The larger implications of MODVAT



It was the L.K. Jha committee which originally recommended that a value added tax (VAT) be levied on manufacturers. What has been passed into law in this year's (1986-87) finance bill is the introduction of VAT in a modified form, that is MODVAT. But what impact it will have on the prices of various commodities will remain unclear for some more months. Even the Union finance ministry is uncertain about the impact of MODVAT on its revenue and its estimate of the impact on its revenues varies from a gain of Rs. 1,000 crores to a pessimistic loss of about Rs. 200 crores during the year 1986-87.

It is, however, already clear that the impact of MODVAT will vary from commodity to commodity and it will even vary for the same commodity manufactured by different companies. It is more than likely that should the aggregate burden of taxes on the citizenry be lowered because of the introduction of MODVAT, the benefit may not be passed on to consumers. Should the aggregate tax revenues of the government increase, there is also a possibility, though admittedly remote, that because of increasing competition, the consumer may not be burdened with the entire extent of the increase in prices on account of MODVAT and some part of it may be borne by the manufacturers and/or distributors.

Multiple variations. For goods or products in which a large proportion of its final value is added at the first point of transaction, i.e. the first time an intermediate is bought and sold, and for manufactures in which the profit margin at the last stage is proportionately high, the impact of MODVAT on final prices will be different. Given the multiplicity of possible variations in the extent of value additions at the various stages of manufacture, it will take industry some time to determine the exact impact of MODVAT on the prices of the range of products to which the scheme is applicable.

Indeed, the actual process of the computation of the value of tax set off which a manufacturer who uses more than one raw material or intermediate input can claim, will become more complicated than ever. So it will not be surprising if the traditionally slow moving tax collecting machinery of the government takes even longer to arrive at a clear assessment of the impact of MODVAT.

A scheme of VAT is generally regarded as providing a good export incentive. Whether it will have the same benefit in this country, is yet to be seen. Economists have serious doubts about this.

VAT is considered to be another form of sales tax and as such, effective use cannot be made of it without the state governments agreeing to fall in line with the Centre to make suitable changes in the existing structure of sales tax. In such a situation, it would be rather imprudent to assume that MODVAT is going to play wonders with the needlessly complex Indian economy. However, it must be welcomed insofar as it promises to be the beginning of a new and more equitable aproach to taxation.

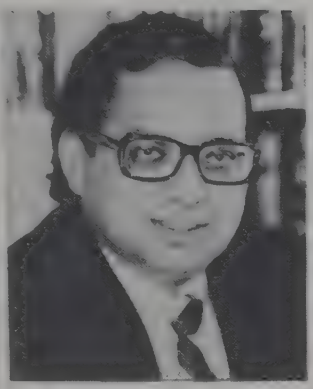
Thus, what the impact of MODVAT on commodity/services taxation in India will be, is obviously difficult to predict. If MODVAT can stir the states, which depend so heavily upon sales tax revenue, to introduce what economists call STATVAT (state value added tax), it may be a forerunner to the much needed reforms in the area of commodity/services taxation in the Indian economy.

Policy shift. It would be necessary to study whether MODVAT can be used to reduce the rates of direct or corporate taxation. In this connection, it is interesting to note the experience of the United Kingdom where VAT was first introduced in April 1973. In the decade since its introduction in that country, its importance as a source of tax revenue has increased and consequently the British government has shifted the burden of taxation from direct to indirect taxes. Value added taxes now account for about 19% of all central government tax revenue in the UK.

It should also be noted that VAT was introduced in the United Kingdom partly in order to replace the earlier taxes, e.g. purchase tax and selective employment tax, which were regarded as narrowly based, and partly with a view to achieving some harmonisation of Britain's tax system with that of the other countries in the EEC, which it had then joined.

The budget & capital gains

H.P. RANINA



Insofar as individuals are concerned, the proposals contained in the Union budget for 1986-87 can be broadly divided into two classifications: those relating to capital gains and those pertaining to other heads of income such as salaries, house property income, gift tax, etc. This fortnight, I intend discussing the amendments proposed to the law relating to the taxability of capital gains in the budget for 1986-87 presented to Parliament on 28th February by Union finance minister V.P. Singh. In my next article I will discuss the budget proposals in relation to other heads of income.

Under the existing s.54 of the Income Tax Act, 1961, if an assessee sells his residential house and records capital gains but purchases another residential house within one year of the date of such transfer or constructs a residential house within three years after the date of sale, the capital gain is exempt to the extent that such gain has been utilised for the aforesaid purposes. Under the proposed amendment, the exemption period of one year after the date of sale or transfer is being increased to two years.

It would tidy the law up somewhat if the new two year period is made applicable if a new house is purchased within two years — instead of one year as at present — *before* the date of sale of the old house as well. It would also make good sense to enact a similar amendment to s.54-F, which permits a taxpayer to invest the sale proceeds in the purchase of a residential house. The tax exemption period in this case too should be increased to a period of two years before and after the date of sale of the old house.

In order to forestall litigation, it is also necessary to clarify as to when a new house is deemed to have been acquired or purchased. Is the relevant date the date when possession of the house is taken or is it the date on which the full sale price is paid? Or is it the date on which the assessee is admitted as a member of the cooperative society or limited company owning the property? When residential flats in particular are purchased, there are several instances of the society not being formed for years together, though the builder has given possession of the house and all payments have been made by the purchaser. To obviate these uncertainties, and avoid any scope for litigation, as well as to ensure proper compliance by taxpayers, this point needs to be clarified.

COMPULSORY ACQUISITION

The proposed amendment also provides that in cases in which the transfer is by way of compulsory acquisition, and the compensation awarded for such acquisition is enhanced by any court, tribunal or other authority, the period of one year after the date of receipt of the additional compensation for purchase of a residential house will be increased to two years. These amendments to the Income Tax Act are effective from 1st April 1987, and will accordingly become applicable in the assessment year 1987-88 and subsequent years.

Still on the subject of capital gains, under the existing s.54-E, in cases where a capital gain arises from the transfer of a long-term capital asset, such gain is exempt from tax if it is invested or deposited within six months from the date of such transfer in certain specified assets enumerated in s.54-E. An amendment proposed in the recent budget seeks to provide that in cases where the original asset is transferred after 31st March 1986, exemption under the section will be allowed in cases where the net consideration is invested or deposited in notified Central government securities; notified special series of units of the Unit Trust of India; notified National Rural Development bonds; notified debentures issued by the Housing & Urban Development Corporation Ltd.; and notified bonds issued by any public sector company.

This amendment is certain to divert household sector savings into public sector enterprises and is likely to deprive the private sector of its legitimate share of these savings. This too at a time when the Seventh Plan requires the private sector to mobilise Rs. 1,68,000 crores for investment during the five year period ending on 31st March 1990.

Therefore, in all fairness to the private sector, the finance minister should also permit taxpayers who have realised long-term capital gains to invest the sale proceeds in shares of new private sector companies or in debentures issued by other companies to finance their expansion or diversification projects.

LONG-TERM GAINS

Under the existing provisions of s.80-T, the deduction in respect of long-term capital gains in the case of assessees other than companies is granted at the rates specified in the Twelfth Schedule on the amount of such long-term capital gains as are in excess of Rs. 5,000. The new budget proposal is to also provide a deduction under s.80-T in respect of long-term capital gains at the rate of 50% in cases where capital gains relate to buildings or lands or interest in buildings or lands and at the rate of 60% when the gains relate to other assets, on the amount of such long-term capital gains as are in excess of Rs. 10,000.

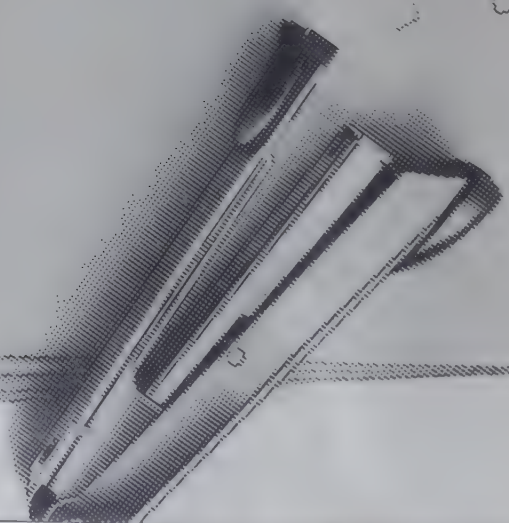
Again, under the existing s.55, in computing the capital gains arising on the transfer of a capital asset, an assessee is given an option to substitute the fair market value of the asset as on 1st January 1964 for its cost of acquisition in cases where such an asset was acquired by the assessee prior to that date. This option is also available in cases where such an asset became the property of the assessee by any of the modes specified in s.49(1), e.g. by way of a gift or bequest, and the asset was acquired by the "previous owner of the property," prior to the said date.

Under the proposed amendments, the assessee will now have the option to substitute the fair market value of the asset as on 1st April 1974 for its cost of acquisition in cases where the asset was acquired by the assessee, or by the "previous owner," prior to that date. This amendment will take effect from 1st April 1987, and will, accordingly, apply in relation to the assessment year 1987-88 and subsequent years.

At a recent meeting which the Union finance minister had with the members of FICCI, he indicated that he is considering the suggestion of exempting capital gains if the sale proceeds are invested in equity shares listed on the stock exchanges. This is a welcome development. One can only hope that he will permit shares of new companies as well as debentures issued by other companies to be qualified as "eligible assets" which are exempt from capital gains tax.

Since its launch, Finesse 4515 has had an average uptime of 90%.

In fact, 90% of installations have had an uptime of 90% and above.



Since its launch in April 1984, Finesse 4515 has become the single largest selling plain paper copier. And with good reason.

90% average uptime: the service factor.

HRL's service centres are geared to answer your SOS in 24 hours. Across a network spanning 93 cities and towns.

The case history of every copier is maintained on a computer. If uptime falls below 90%, the computer sounds a Red Alert.

But HRL firmly believes in the old adage: prevention is better than cure. So whether you ask for it or not, your machine gets a head-to-toe checkup regularly.

So it's no surprise that Finesse 4515 has a track record of 90% average uptime.

A major reason why people who become our customers stay our customers.

Designing for longer life: the reliability factor.

Finesse 4515 has been designed and engineered for long-term reliability. Microchip circuits that live to a ripe old age. And very few damage-prone switches or controls — most of the adjustments are automatic, leaving little room for human error.

Critical components for Finesse 4515 are already being made right here in India. At HRL's modern manufacturing facilities. To Toshiba's ruthless tolerance specifications and exacting quality standards.

And one thing is certain: Your Finesse 4515 will never be out of action for want of spares and consumables.

State-of-the-art features: the technology factor.

Finesse 4515 offers everything a discerning buyer looks for in a copier. Modern features that reflect the world's most advanced electronics technology:

Reduction and enlargement. 100% edge-to-edge, corner to corner, non-void copying. Microcomputer-controlled, colour LCD panel for simple operation. Straight-line paper path with automatic paper alignment. Clamshell design for easy maintenance.

Getting perfect copies means leaving as little as possible to human judgement. So in Finesse 4515, exposure and toner density are controlled automatically. To ensure that originals are copied with perfect exposure, and for copies of consistently high quality.

The case for Finesse 4515 is clear.

It will be even more clear when you actually start using it.

In fact, 50% of Finesse 4515 sales are to satisfied customers placing repeat orders.

But right now, no one can blame you for being nervous.

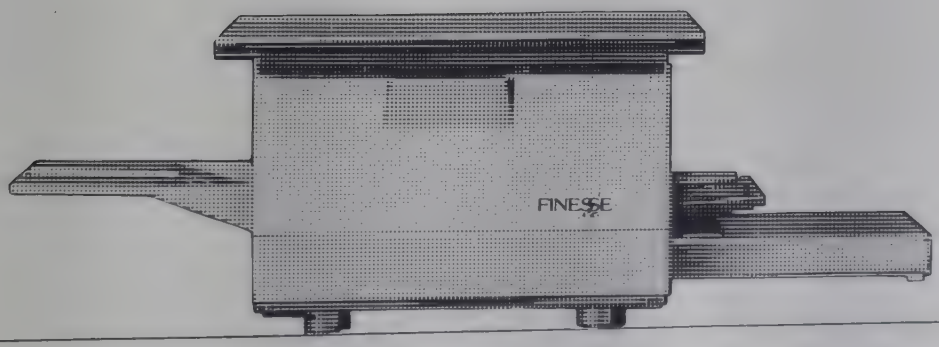
No one can blame you for making the world's oldest consumer statement: "I'm looking for something reliable."

Look no further.

FINESSE
4515
PLAIN PAPER COPIER

In technical association with Toshiba Corporation, Japan.

India's largest selling copier.



HRL HINDUSTAN REPROGRAPHICS LIMITED

For further information contact Hindustan Reprographics Limited. **Head Office:** 5th Floor, Kundan House, 16, Nehru Place, New Delhi 110 019. Tel: 6432908, 6417094.

Branch Offices: **Bombay:** 74, Regent Chambers, Nariman Point, Bombay-400 021. Tel: 232764, 240888. **Bangalore:** 10/2, Queen's Road, Bangalore-560 052. Tel: 72494. **New Delhi:** 801, Deepali, 92, Nehru Place, New Delhi-110 019. Tel:6418792, 6439209. **Secunderabad:** P 1-1-58/11, Sarojini Devi Road, Srinath Complex, Secunderabad-500 001. Tel: 75264. **Madras:** 8, Haddows Road, Jai Laxmi Estates, Madras-600 006. Tel: 476846, 474633. **Calcutta:** 11/1A Sarojini Naidu Sarani, Calcutta-700 017. Tel: 296720.

War of analgesics

In early February, Burroughs Wellcome (India) Ltd. launched a paracetamol-based analgesic tablet under the brand name of New Ridake. Nothing exceptional about that except that the company's promotional campaign claimed that New Ridake was safer than aspirin-based analgesics. This somewhat unusually aggressive campaign in an industry which has never been vulgarly competitive, has generated a storm of controversy which has yet to die out.

The trouble began when representatives of the newly promoted Bangalore-based Shirishma Fine Chemicals Ltd. — the largest manufacturer of aspirin in India — circulated xeroxed copies of a letter purportedly written by a respected professor of pharmacology of Calcutta university, questioning the claim of Burroughs that paracetamol is safer than aspirin. The letter writer cited an article in *Lancet*, the well-known and authoritative British medical journal, to substantiate the view that paracetamol usage is, on occasion, accompanied by serious side-effects and therefore a claim that it is safer than aspirin is untenable.

The letter was not surprisingly used by some newspaper correspondents, who filed reports in their papers questioning both the ethics of advertising one drug as being superior to another in the lay press, as well as the company's claim that paracetamol is safer than aspirin. In the event, it transpired that the letter was not authored by the purported professor of pharmacology S.R. Dasgupta. "We have spoken to Dasgupta's son in Calcutta, and he has informed us that his father has been bed-ridden for quite some time,and is not fit enough to write a letter. At any rate, he has denied any knowledge of such a letter," says S. Datta (59), a pharmacology graduate of the University of London and managing director of Burroughs Wellcome.

No side-effects. Datta called a press conference on 25th March to convey this to a larger audience and also to defend the advertising campaign for New Ridake and the claims that are being made for it. Supported intermittently by the Bombay-based company's director for medical services, Dr. C. Gupta, Datta claimed that "while paracetamol has no known side-effects in the prescribed therapeutic dosages of 500 mg to one gramme for adults, aspirin causes gastro-intestinal haemorrhages even in the prescribed dosage of 300-500 mg."

While admitting that paracetamol is indistinguishable from aspirin in terms of efficacy in the treatment of headaches, Datta reiterated that aspirin not only causes stomach bleeding but also results in kidney damage if used over a prolonged period. By contrast, paracetamol, says Datta, "is safe and free from side-effects even after prolonged usage."



Datta: **"safe and free from side-effects even after prolonged usage"**

These statements didn't go down too well with the members of the fourth estate who were treated to a somewhat lengthy harangue on the need for greater responsibility and professionalism in reportage, as a preface to Datta's defence of New Ridake.

Not surprisingly, Datta was in turn questioned at some length about the ethics of promoting a potentially unsafe drug as an over-the-counter remedy for headaches, through an aggressive advertising campaign. Why, for instance, Datta was asked, is Burroughs Wellcome, USA. represented by a senior vice president on the Aspirin Foundation of the US, which *inter alia* promotes the use of aspirin? Is paracetamol safer than buffered aspirin, which is the preferred — if somewhat more expensive — form of aspirin in the more developed nations of the world? Is it ethical to market a drug such as paracetamol which causes irreversible liver damage if consumed in excess of the prescribed dosage — without clearly specifying the risks of overdosage on the packaging? Is it ethical to ask the lay citizen to make a choice between paracetamol and aspirin without providing full information about the potential side-effects of both drugs?

In accordance. Datta parried these questions with the arguments that the Burroughs Wellcome campaign for New Ridake —which incidentally is manufactured by Li Taka Pharmaceuticals Ltd. and only marketed by Burroughs Wellcome — was in accordance with Indian law and was in fact cleared by the drugs controller.

But with several new companies having finalised plans to manufacture aspirin in recent months, and with the ban on theophyline and analgin-based analgesics (such as Saridon and Novalgin) scheduled to take effect in 1987, the last word has clearly not been said in the aspirin-paracetamol debate. Indeed, as the 95 paracetamol manufacturers pit themselves against the over 100 manufacturers of generic and branded aspirin products in a bid to grab a larger slice of the Rs. 65 crores per annum analgesics market in this country, the marketing war unleashed by Burroughs Wellcome can only become more fierce.

MICHAEL NERI IN BOMBAY

One stop centre

At a time when television centres all over the country are being promised second channels and advertisers are increasingly looking at television as a cost effective advertising medium, units catering specifically to Doordarshan's demand for television software programmes are mushrooming in the country's major metros. And not to be left behind in this video production boom, the eastern region's first "one stop communications centre, INFOCOM," specialising in the production of video films for Doordarshan and in the provision of business and economic backup for different user agencies, was formally inaugurated on 18th March at Calcutta. A division of Robeen Ghosh & Associates Pvt. Ltd., INFOCOM has been promoted under a scheme of the ministry of information and broadcasting, which seeks to encourage the generation of programmes for telecasting on the national and regional networks of Doordarshan.

"In 1975, the Union government announced a package for private producers to generate programmes for Doordarshan. The package enabled certain selected producers to obtain video equipment at a concessional price. Three producers were selected from Calcutta, and we were one of them. We are also the first to start up our production unit," says Robeen Ghosh (39), managing director of INFOCOM, who quit his job as chief economist of the Bengal Chamber of Commerce to start this unit.

"As a one stop centre, INFOCOM is the first of its kind in the eastern region. As part of our services we will be providing facilities for the production of video films on 'U' matic and UHS formats: an in-house graphic studio with complete facilities for visualisation, from layout and finish to artwork preparations; a still photography unit; a studio floor of 2,000 sq ft and a modern sound studio which is to be set up shortly," explains Ghosh. Of the total project cost of Rs. 19.3 lakhs, the seed capital of Rs. 4.2 lakhs has been granted by IDBI at a nominal interest, Rs. 13.5 lakhs has been advanced by the Allahabad Bank (13% interest) and the remainder Rs. 1.6 lakhs is the promoters' capital. "INFOCOM's accent will be on producing television serials — especially in regional languages — and educational cassettes. The latter will be produced in collaboration with some of the premier educational organisations in the country," says Ghosh.

Two serials. Currently, INFOCOM is in the process of executing two 13-episode long television serials, namely *Sonar Sansar*, based on a novel of the same title by the well-known Bengali novelist Shankar, for the regional network, and a documentary serial *The Rise of the New Indian Cinema* for the national network. Another serial, *Samparka* (human relationships), based on 13 short stories of famous Bengali writers has also been approved by Doordarshan. "Our target is to produce four to five serials a year and earn an annual revenue of Rs. 40-45 lakhs," says Ghosh.



Ghosh: economics lacuna

But while going full steam ahead with this project, Ghosh believes that some more thought should be given to ensure that the ministry of information and broadcasting's scheme is practical and financially viable. For instance, while granting licences for production facilities for television software, the government has not fully considered the economics of the production units.

"All specialised television software manufacturers have a licensed capacity to produce 150 hours of finished programmes, but to break even with our production and backup costs we have to be given at least 100 hours of television time. For the five production units in the eastern sector —the existing three and two others that are coming up in the near future — to be economically viable, we will need a total television time allotment of 500 hours. Currently, on the regional network we are allowed half an hour a week — which means a total of 24 hours. This will have to be stepped up to enable us get adequate returns on our investment. At the same time there is no indication when the second channel will be commissioned in Calcutta — it is a wait and see situation which is not very conducive to creative endeavour," says Ghosh.

Another area that needs a fresh look is the allocation of time for regional producers on the national network. Argues Ghosh: "For the televising of programmes on the national network there should be a definite allotment of time for regional producers. As it stands today, the bulk of the national network time is dominated by producers from Delhi and Bombay. I think this imbalance should be corrected."

For the future, Ghosh paints an optimistic picture. "Corporate clients are increasingly becoming aware of television as an interesting and cost effective medium for advertising their products and there is no dearth of corporate clients to sponsor a good project. Once the second channel gets going, opportunities will open up for everyone and on our part we are here to provide full backup support to anyone with a good idea."

DEBJANI SINHA IN CALCUTTA

Fair prospects

Aluminium rolled products have varied applications in the construction, automobile, packaging, communication and consumer durables industries. But against an installed capacity of 96,000 tonnes, their current production is estimated at only 75,000 tonnes. This supply-demand gap is likely to widen in the coming years: the Seventh Plan's working group on aluminium projects the demand for aluminium rolled products in 1989-90 at 1,60,000 tonnes per annum, *cf.* a supply of only 1,45,000 tonnes. One of the companies gearing up to bridge this gap is Navalco (India) Ltd., which is promoted by a mechanical engineering graduate of Bangalore university, A. Ramachandra Reddy (35). Reddy, who owns an industrial estate on the Bangalore-Pune highway which generates a monthly income of Rs. 40,000 as rental, is the managing director of Navalco.

Navalco's own modest plant,which has a manufacturing capacity of 720 tonnes per annum, is now taking final shape, and is situated on the Bangalore-Mysore highway. The project, which is in the medium sector, will cost an estimated Rs. 50 lakhs. "The capital investment is



Reddy: low investment

very low if you compare it with similar projects being promoted elsewhere in the country," claims Reddy and adds, "This is because we got most of the machinery fabricated indigenously and my own intimate knowledge of the aluminium rolling and extrusion industry acquired through study and experience gained through travels abroad, also helped."

The plant is located on 18,500 sq ft of land leased from Reddy's mother. The main raw material — aluminium ingots — are produced mainly by Bharat Aluminium, Hindustan Aluminium and Indian Aluminium Co. "We do not anticipate any difficulty on the raw material front.There is also no ban on the import of aluminium ingots, which is canalised through the Minerals & Metals Trading Corporation which also takes care of the distribution. In any case, our needs will be fairly small," says Reddy, adding that with the giant Orissa-based National Aluminium Co. scheduled to go into production in a few months, obtaining supplies of commercial grade aluminium ingots will cease to be as much of a headache as it is now.

Navalco is expected to go into commercial production in April this year. "We are confident of attaining 80% capacity utilisation in the first year itself. We anticipate a turnover of Rs. 2 crores in the first year; Rs. 2.25 crores in the second year with 90% capacity utilisation; and Rs. 2.50 crores in the third at full capacity. The profits projected to be Rs. 30 lakhs in the first year; Rs. 35 lakhs in the second; and Rs. 40 lakhs in the third year. We hope to pay a dividend of 18% in the first year itself," says Reddy.

No marketing problems. Navalco's product mix will include aluminium sheets, strips, circles, chequered plates and slugs in various sizes conforming to ISI specifications. "Marketing will pose no problems since our production of aluminium products will be just 1% of the total current production in the country and 0.5% of the estimated demand in 1989-90," points out Reddy.

But demand considerations apart, prospects for well managed and technologically up-to-date aluminium-based industries seem to be bright, considering that for a country as vast as India the per capita consumption of aluminium is only 0.4 kg. compared with the world average of 4 kg. In other words, the potential for growth is quite large and the Union government is keen on promoting the usage of aluminium, particularly in the construction industry, as a replacement for wood in an effort to conserve the country's fast depleting forest resources.

Making out a case for medium and small-scale aluminium industries such as Navalco, Reddy says, "In most industrialised countries there has been a gradual shift from setting up huge production facilities to small and medium enterprises because of the recognition of the latter's inherent capabilities to innovate and adopt newer technologies faster. India would do well to emulate this example. In the aluminium industry, the public sector behemoths should concentrate more on technology development and pass the fruits of their labour to smaller undertakings which cannot invest too much in R&D. Rather than creating fresh capacities for aluminium rolled and extruded products, they should take on the responsibility of meeting the raw material requirements of primary aluminium users, thereby eliminating the sporadic shortages in aluminium supply which often disrupt production and delivery schedules of user industries to the ultimate disadvantage of the consumer."

But with India likely to emerge as a surplus producer of aluminium in a year's time, when the installed capacity is slated to increase by 2.18 lakh tonnes per annum, the prospects for companies like Navalco look fair.

N. RAGHAVAN IN BANGALORE

Hi-tech scooter

Within the intensely competitive if rapidly expanding indigenous automotive two-wheeler market, the introduction of newer models of motorised scooters and other two-wheeled vehicles has ceased to surprise the Indian consumer. During the past year, over a dozen new models of automotive two-wheelers have been put on the market to contain the rapid decline of corporate market shares.

Yet, when Kinetic Honda Motor Ltd., a joint venture between the Pune-based Kinetic Engineering Ltd. and Honda Motor Co. Ltd., Japan, introduced a new Honda-designed 100 cc scooter on 10th April, its managing director Arun Firodia (37) was certain that both buyers and competitor firms would sit up and take notice.

Says Firodia, "Our scooter incorporates several sophisticated and novel features which will ensure that it is well accepted in the market. Apart from being specially designed with the latest Honda technology to suit Indian conditions, the scooter has an automatically operated clutch and gear system and an automatic push-button starter. These features will make for easier and more comfortable handling. In technological terms, our scooter will be markedly superior to others that have been introduced in recent times."

Firodia is obviously not unaware that, while most contemporary 100 cc scooters

Firodia: novel features





The fast changing world of shipping. Containerisation has speeded up cargo handling as never before. A delayed Bill of Lading would mean demurrage charges which drown your profits.

But how do you get a B/L half way across the world?

AIRFREIGHT-DHL. You can rely on us when you are all-at-sea.

Your access to the world...

AIRFREIGHT-DHL. No other courier in India offers you a wider global network.

AIRFREIGHT, in business association with DHL, provides a total express international network to meet the time-sensitive needs of global business. Over 600 offices in 160 countries. 13,000 employees. Plus 2,500 on-board couriers, who ensure the fastest delivery possible, for your documents. And your dutiable, small parcels too.

...and India as well

AIRFREIGHT-DHL has a comprehensive network within India as well. Over 35 offices in 20 cities. 300 employees. And on-board couriers who personally travel with your documents and dutiable, small parcels, on all major trunk routes.

No wonder, 80% of the top 101 Indian Companies, as listed by The Economic Times, think the world of our courier service!

AIRFREIGHT DHL

WORLDWIDE COURIER

Changing the way India does business with the world.

Ahmedabad [illegible] Bangalore [illegible] Hosur 6810 **Baroda**: 67061/62/63 **Bhubaneswar**: 53178 **Bombay**: Nariman Point 224130, 230163, [illegible] **Coimbatore** [illegible] Delhi [illegible] Hyderabad 237519, 237803, 227804 **Jaipur**: 45372, 44479 **Kanpur**: 212294, 212674 **Madras**: 476152, 476175, 47233 [illegible]

When it comes to lightin



TL'D



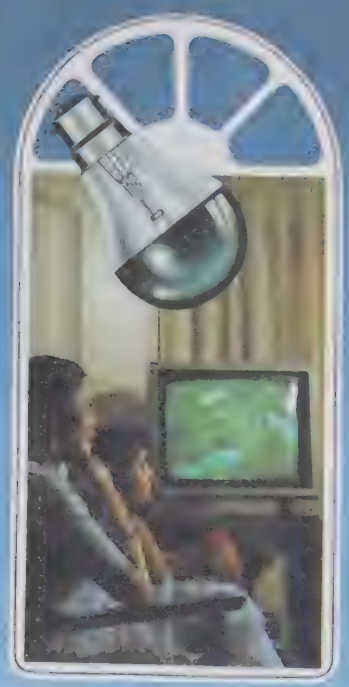
GLS



Argenta K

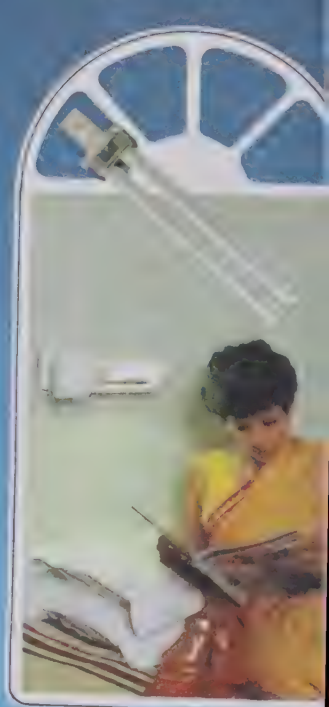


Argenta Superlux









Wherever it's Lighting your home, shop, office, factory, hotel, hospital, park, monument, stadium or highway, Philips gives you the widest range of high quality, cost-efficient lighting products.

PHILIPS

l you need is Philips.











hen it's Philips. you're sure.

household name for over fifty years



We'll deliver. Wherever on earth. **SKYPAK** The worldwide couriers.

are available in the price range of Rs. 8,000-12,000, the Kinetic Honda scooter will be priced at between Rs. 13,000-15,000. "Though we had originally intended to fix the price at a lower level, the recent excise hike, coupled with the introduction of MODVAT, has forced us to revise the price upwards," says Firodia who is nevertheless confident that there will be more than enough demand for the 1,50,000 scooters per annum that Kinetic Honda is licensed to manufacture. "We are targeting our product at the premium end of the market, and since the product offers several unique features, I am confident that we will be able to market our entire annual production," adds Firodia.

Further expenditure. According to Firodia, the company has already spent Rs. 15 crores on the first phase of its scooter manufacturing project,which will enable it to utilise 40% of its production capacity and manufacture 40,000 scooters in the very first year. The company has plans for a further capital expenditure of Rs. 25 crores, which will eventually raise the production capacity to 1.5 lakh scooters per year. "We hope to raise these additional funds either by making a linked or non-convertible debenture issue soon," says Firodia.

And given the fantastic track record of other Firodia group companies such as Bajaj Tempo and Kinetic Engineering — both of which are blue-chip market leaders — raising additional capital should pose no problem. In the meanwhile, however, eager consumers are likely to make a bee-line for the latest of the Firodia family's offerings, which by indigenous standards is undoubtedly a technologically superior product.

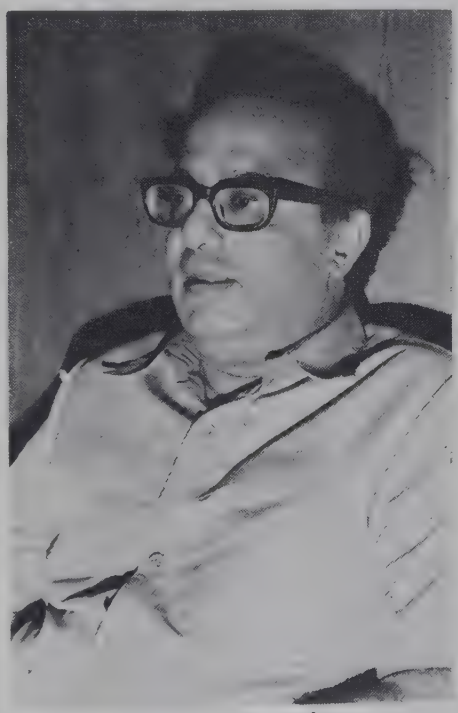
V.A. ACHARYA IN INDORE

Indigenous tech venture

Tucked away in the little known township of Vallinakam, in the Ramnathapuram district of Tamil Nadu, the hitherto low profile state government-owned Tamil Nadu Chemical Products Ltd. (TNCPL — sales: Rs. 10.21 crores; profit: Rs. 80 lakhs in the year ended 30th September 1985) hit the headlines recently when it announced in Madras on 12th March, the promotion of a project to manufacture magnesium metal using indigenously developed technology.

Though the process to manufacture magnesium metal has been known for over 200 years, India continues to import its entire requirement — 1,600 tonnes per annum (tpa) — of this vital metal, which is used in the manufacture of a wide range of special purpose metal alloys. It is therefore both surprising and commendable that a hitherto low profile public sector company should be the first to indigenously develop the relatively sophisticated technology to manufacture magnesium metal, which is highly reactive and combustible.

Somewhat typically, the technology would have been put to use earlier and would have saved the country the not insignificant sum of Rs. 16 crores per annum but for the financial institutions,



Sridharan: not discouraged

which were hesitant to extend financial assistance to TNCPL to construct a full-fledged magnesium metal manufacturing plant, even though the technology had been tried and tested a full 18 months earlier.

But TNCPL's managers were not unduly discouraged by this comparatively minor obstacle. At the end of a somewhat trying period, during which time they used every persuasive skill that they could marshall, they managed to convince the Industrial Development Bank of India (IDBI) to sanction a term loan of Rs. 3.95 crores to TNCPL to establish a 600 tpa magnesium metal manufacturing plant.

Wholly indigenous. Says D. Sridharan (49), a senior IAS officer currently on deputation to TNCPL as vice chairman and managing director, "This sanction of a loan by the IDBI marks the culmination of almost 25 years of effort in developing a wholly indigenous technology for a product which, though manufactured in the world for over 200 years, is yet to be made here in India. The plant is being established in a backward area and is expected to go on stream by September 1987."

The project, which is estimated to cost about Rs. 6 crores and which will have an initial capacity of 600 tpa, has a chequered history. The indigenous production of magnesium metal was identified as a strategically important national project way back in 1957. The Central Electro-Chemical Research Institute (CECRI) in Karaikudi, Tamil Nadu was commissioned to develop the necessary technology. The CECRI successfully developed a laboratory scale process in 1963, and subsequently in 1970 it developed two sizes of pilot plants producing 250 kg of high purity (around99.5%) metal per day. The technology which was finally developed differs from the technology currently in use elsewhere in the world.

According to Sridharan, the project has many unique aspects. "The CECRI technology uses the Sea Bittern route whereas elsewhere magnesium metal is manufactured from sea water. Also, all the capital equipment and raw material to be used in the project will be wholly indigenous. Thus it saves foreign exchange. It is perhaps a project which has no previous parallel in India. And what is perhaps even more significant is the strategic importance, especially from the defence point of view, of magnesium metal which has major uses in the Indian Space Research Organisation, Hindustan Aeronautics Ltd., the Nuclear Fuel Complex, etc.," says Sridharan.

Additional advantage. The requirement of magnesium metal, currently of the order of about 1,500-2,000 tpa (excluding the aluminium industry), is entirely met by imports at a cost of Rs. 12-16 crores. "Thus, the demand is already around three times the anticipated output of our project. So, selling our product will pose no problem. We will have the additional advantage of competitive prices. We expect to be able to sell magnesium metal at Rs. 60-70 per kg *vis-a-vis* the present imported price of Rs. 81 per kg," says Sridharan.

The fact that TNCPL has acquitted itself commendably in the recent past despite its public sector label, may raise many an eyebrow. With a capacity utilisation of 113% in its sodium hydrosulphite manufacturing plants—*cf* the industry average including TNCPL's, of 36%—and a 15% dividend declared for 1985, TNCPL is in-

deed the envy of many a company in the chemicals business. And when the magnesium metal project goes on stream, its performance is likely to set standards for both the private and public sectors.

CHANDU NAIR IN MADRAS

Conservative virtues

One of the more disquieting features of the recent spate of public issues has been the overwhelming number of new companies which have entered the capital market, making tall claims without the financial track records to back them up. It is for this reason that the investing public may regard the (two separate) public issues of 2,00,000 equity shares of Rs. 10 each at a premium of Rs. 12 per share and 1,20,000 13.5% secured convertible debentures of Rs. 120 each, by the Bombay-based Oriental Containers Ltd. (sales: Rs. 13.35 crores in the year ended 30th September 1985), which will open for subscription in the third week of April, in a more favourable light.

"We are an existing profit-making company of 16 years' standing and although as a closely held company we have been a little conservative as regards investment, we have to our credit a sound track record. This can be seen from the fact that during the period 1980-81 to 1984-85 our sales have nearly doubled from Rs. 7.01 crores to Rs. 13.35 crores, while our gross profit has almost quadrupled from Rs. 30.7 lakhs to Rs. 1.21 crores during the same period," says Rajendra Somani (39), a graduate in mechanical engineering from the University of Bombay and managing director of the company.

New trends. Oriental Containers is engaged in the manufacture of metal containers, pilfer-proof caps and aluminium collapsible tubes. These are used to pack a wide variety of products ranging from edible oils and petroleum products to toothpastes and cosmetics. "At Oriental, we have been keeping pace with the new trends in packaging. We started out manufacturing tin containers and in 1974 we diversified into the manufacture of pilfer-proof caps. More recently, we have commenced the manufacture of aluminium collapsible tubes and we shall shortly be introducing sophisticated bottle closures for the first time in the country," says Somani.

Meanwhile, the proceeds of the public issue, according to Somani, will be used



Somani: keeping pace

to finance the company's expansion of its collapsible tubes manufacturing capacity from the current 25 million tubes per annum to 75 million tubes per annum. "We also propose to enter the field of leasing in a big way in order to reduce our tax liability and expect to have leased assets to the tune of Rs. 5-6 crores over the next three years," he adds.

Not surprisingly, Somani sees a bright future for his company, particularly in view of the consumer goods revolution in the country which augurs well for the packaging industry. "We will have few growth problems as we have established a sound reputation for our products. However, we have traditionally been conservative and we intend to remain conservative as we believe that it is one of our major strengths," says Somani, who expects his company to record a sales turnover of Rs. 20 crores by 1989.

BINU S. THOMAS IN BOMBAY

Champion's choice

Now that the Modinagar-based house of Modis has made more than a few forays into the high-tech arena with the recent promotion of Modi Xerox Ltd., and some years ago, of Modi Tyres Ltd., that it should demonstrate an unsated appetite for promoting yet another high-tech venture is not entirely surprising. Yet, when Mahendra Kumar Modi (40), managing director of Modipon Ltd., and Modi Industries Ltd., announced in New Delhi recently that the Modi group has just concluded an agreement with Champion Spark Plug Co., USA (estimated sales: $1 billion or Rs. 1,200 crores in 1985) to jointly promote a new spark plug manufacturing venture in India, a number of managers in industry were more than a little intrigued.

This is because the Rs. 8 crore indigenous spark plug market is dominated by MICO Ltd. — which commands a 70% share of the market. Also, while in recent years a host of relatively small manufacturers have jumped into the fray with inexpensive down-market products, the automotive industry appears to have hit a recessionary phase. Thus, both in terms of the choice of industry and its timing, the promotion of the new Modi Champion Ltd. has caused several monitors of the industrial scene to sit up and take notice.

Yet Modi, who is likely to be appointed president of the newly incorporated Modi Champion Ltd., defends the choice and timing and comments: "I don't think there has been any great delay in our entry into the spark plug manufacturing business. As a group, we took our time simply because we wanted to be certain that this industry would grow at a sustained pace which would justify our entry as well. Although there are swings in policy, we are convinced that the future will continue to be bright. We are also convinced that vehicle owners will be only too willing to have competitive products made available. And as we are committed to manufacturing a product that is qualitatively superb, we have tied up with a world leader in the field."

Famous logo. By all accounts, Champion Spark Plug Co., which is the largest manufacturer of spark plugs in the world with 19 manufacturing units in as many as 13 countries across the globe, is certainly in a class of its own. Promoted in 1907, Champion, which pioneered the development of spark plugs in the US, is today the single largest supplier of spark plugs as original equipment to the pick of the world's auto manufacturers. "We estimate that Champion enjoys a 40% share of the global market, mainly in the US and Europe. Nor are they entirely unknown in this country either," says Modi. In fact, the famous "bow-tie" logo of Champion is familiar not just to racing buffs, but also to a host of small industries which churn out fake "copper plus" spark plugs all over the country.

Backed by the strength of the Modis' distribution network, which has proved to be of vital importance for the success of Modi Tyres as well, the new design spark plug from Modi Champion, which



Modi: distribution strength

will have a copper cored centre-electrode and an extra-long insulator nose, is unlikely to face a marketing problem. "We are talking of manufacturing something like 10 million spark plugs per annum, which figure could double by the end of the decade. This implies that we are aiming at a market share of around 40% by 1990," claims Modi, who believes that the market is growing fast enough to accommodate two heavyweights.

Time is however not on Modi Champion's side. Even today, a final decision on the site of the plant has not been taken. Moreover, with the proposal yet to run the gauntlet of the governmental apparatus, Modi would only say: "The total project investment will be around Rs. 16 crores. While the agreement with Champion involves a royalty payment, both Champion and the Modi group will each own a 40% equity share in the joint venture with the remaining 20% being offered to the public." It is likely that while construction of the unit will begin later this year, trial production is expected to commence only by mid-1987.

With Champion, which is going through a process of organisational restructuring, keen on providing the qualitative technological edge to the Modis' plans of carving out a sizeable segment of an extremely profitable line of business, it remains to be seen if Modi Champion is indeed made of the stuff that champions are made of.

ANAND P. RAMAN IN NEW DELHI

A new breed

With hi-tech razzle-dazzle very much a part of the contemporary Indian business scenario, a new breed of "technology-driven" companies is rapidly emerging. Much of their technology is being imported but, happily, not all. Thus the Calcutta-based Business Forms Ltd. (BFL — estimated sales: Rs. 4 crores in 1985) — an established leader in the highly competitive Rs. 25 crores per annum turnover forms market which has about 40 competing manufacturers jostling for business — has recently developed a process for manufacturing carbonless copying paper for the first time in this country. "The process, which involves applying a micro-encapsulated polymerised chemical coating onto paper, was developed entirely by our research and development centre in Calcutta," says BFL's managing director Arun Sud (28).

A chemical engineering graduate of the University of Wisconsin, Sud returned home in 1981 after a short working stint in the US,to join the family business. One of his first decisions was to launch the company's R&D centre — a decision which has now begun to yield results. Incidentally, Sud took over as the company's managing director in 1984 when his father Baldev Sud, who founded the business in 1964, decided to step down and retain only the non-executive chairmanship.

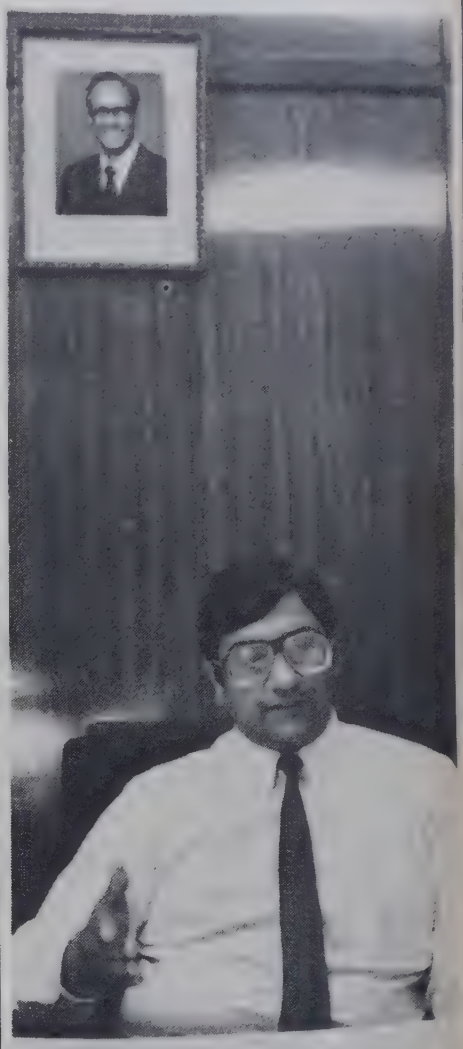
According to Sud, the size of the world market for carbonless paper is currently around 1.5 million tonnes per annum (tpa) and is projected to rise to 2 million tpa by the end of this decade. Of this volume, India's share was precisely zero — until BFL came along. Having developed its own patented process, the company took the precaution of getting its product analysed and tested by internationally established manufacturers. "Our quality has been accepted as being comparable with that of similar carbonless paper manufactured in the West," says Sud, not without a touch of pride.

And in order to cater to this sizeable demand, a brand new Rs.2.25 crore plant is being set up at Barasat (30 km from Calcutta) to manufacture 2,000 tonnes of carbonless paper per annum. A separate company named AS Rototech Ltd., with a paid-up capital of Rs. 1 crore, is being jointly promoted by Sud and the parent firm of BFL, for this purpose. Meanwhile, a pilot plant has already been pressed into service to launch the product in the domestic market under the brand name Transprint. "The initial market response has been very positive," says Sud.

Sophisticated products. Carbonless paper is slated to be just one of several hi-tech office products which Sud hopes to introduce in the near future. Others under consideration are multilayer laminates, specialty labels and computer ribbons. Says Sud: "We are looking at relatively sophisticated products which will be new to India. And in each case we hope to develop the technology within the company rather than import it."

And to ensure that the adrenalin keeps on flowing, Sud has set some stiff targets for himself: a compound growth rate in volume terms of 20% per annum and a profitability growth rate of a whopping 50%. He also has plans to enter the market to raise capital for BFL and AS Rototech by end 1986, the respective issue sizes being Rs. 75 lakhs and Rs. 55 lakhs. Both companies should be well worth watching.

SUJOY GUPTA IN CALCUTTA



Sud: in-house research

Poised for diversification after 25 years of growth.

Aruna Sugars Limited

Madras

Chairman's Speech at the Annual General Meeting on Wednesday, 19th March 1986

Ladies and Gentlemen:

It gives me great pleasure to welcome you all to the 25th Annual General Meeting of the Company

Many of you have been Members right from inception and I am sure you will all be happy with the record performance of the Company in its 25th year of incor poration. I hope that this success will continue to benefit all of us in the coming years. We have completed 20 crushing seasons and there are indications that the current season will also be satisfactory.

Our new Government, headed by Shri Rajiv Gandhi as Prime Minister, has been giving new directions to take the country to great heights in all respects.

I welcome the long-term fiscal policy and other long-term policies including the sugar policy, which is a long range plan with a fairly reasonable statutory cane price for the years 1985-86 and 1986-87.

Sugar Production: continuously increasing

The sugar production has gone up from 59 lakh tonnes in 1983-84 to 61.4 lakh tonnes in 1984-85. And, it is expected that the production will be about 68 lakh tonnes in the current year and around 80 lakh tonnes in 1986-87.

Cane Price: a crucial factor in operational economics

The statutory cane price for the current year is fixed at Rs. 165/- as against Rs.140/- per tonne linked to a recovery of 8.5%, and at Rs. 170/- for 1986-87. The State Government has advised a price of Rs. 195/- for 1985-86 linked to a recovery of 8.5%. The advisory price for 1986-87 will be announced later.

On this basis, our cane price works out to Rs. 245.50 for the current year against the statutory minimum price of Rs. 207.70.

Crushing in the current season started by the end of November 1985 and except for a short stoppage of 12 days due to statewide agitation by the canegrowers, operations have been maintained at optimum levels. It is expected to crush about 7 lakh tonnes this year.



Sri. P. Maruthai Pillai
Chairman

Clause 5-A of the Sugarcane Control Order (sharing of extra realisation) should be allowed to operate freely, with a possible provision for advance payment.

Purchase Tax: hiking production costs.

Despite the efforts of the Sugar Mills Association, the Tamilnadu Govern ment has not conceded to reduce the levy of high purchase tax on cane at 13.25% advalorem, which is the highest in the country. The cost of cane for a quintal of sugar continues to be very high, at about Rs. 292/-. With the increase in wages, the production cost is bound to be even higher.

Sugar Policy: a welcome long range plan

The price of Levy Sugar for the current year has been fixed at Rs.390.92 per quintal. And the Government of India has fixed Free Sugar ratio as 45% as against 35% in the previous years. The price of sugar for public distribution has also been increased from Rs. 4.40 to Rs. 4.80 per kg.

As mentioned in the Directors' Report, the Government released, on loan basis to all factories, an additional 14% from Levy as Free Sugar. Had it not been for this additional release, which was sold in the free market in the year 1984-85, the profits of the Compa. y would not have been so much. This 14% sugar (82,570 quintals) is expected to be adjusted in the current year's quota of Free Sugar and converted to Levy. This may result in fall of profits, which will be known only by the end of this year.

Modernisation: paying rich dividends

As members are aware, the company has invested about Rs. 110 lakhs in the last two years on modernisation and debottlenecking. I am glad to report that this investment is paying good returns and we have been able to crush around 4000 to 4500 tonnes and have been able to touch a record 5000 tonnes. Efficiency of the factory has also improved result ing in better overall performance. Further modernisation is being planned. Action is being taken for increasing the crushing capacity to 5000 tonnes per day.

New Projects: financing, leasing, hoteliering ...

The Company has decided to diversify and detailed plans are being worked out for putting up a three star hotel in Madras, besides starting an Agency division for which negotiations are under way. The Company is also entering the export front by putting up a leather shoe upper/shoe project with foreign technical collaboration.

Change of Name

In view of these plans, it is also proposed to change the Company's name to 'Aruna Sugars & Enterprises Limited'. The Company has also decided to enter Leasing and Finance and has formed a subsidiary called 'Anura Finance Limited', which will shortly commence business.

Acknowledgements

Finally, I wish to thank my colleagues on the Board for their wise counsel and guidance. I also thank the employees for their co-operation, support and commendable service; the canegrowers for their co-operation; the Punjab National Bank; the Central and the State Governments for their support and the share-holders for their trust and faith in the Management.

This does not purport to be the proceedings of the Annual General Meeting.

Equipment replacement basics

KRISH PENNATHUR



Until about a decade ago, industry was chary about replacing equipment, let alone the question of going in for highly sophisticated plant and machinery. Because of the huge outlays required for the purchase of new equipment, the preference, particularly in developing countries such as India, was for 'rebuilding' worn equipment and giving it a fresh lease of operational life (see my article on this subject in *BW* February 27-March 11, 1984, p. 41). Even in affluent West Germany, while subscribing to the concept of 'rebuilding,' managers tended to design their equipment as an assembly of modules so that if one part of a machine did not function well, only that particular module need be replaced.

However, since 1979, the preference for rebuilding has been slowly giving way to the replacement option. There is a gradual realisation among managers the world over that even with complete stripping and rebuilding or changing of modules, the efficiency and accuracy of the machine seldom reaches the originally specified limits. The resultant wastage, rejects and re-working of rejected parts results in costs much higher than the 'savings' realised by rebuilding or module replacement.

Another factor contributing to this change in thinking has been the fashionable industrial philosophy of modernisation. However, inspite of the lip-service paid to the call for modernisation, most replacements are by other machines or equipment of similar design and capabilities which do not offer an incremental quality or versatility. That a new machine which replaces a worn out one of similar characteristics attains higher accuracy, renders better performance and reduces machine-error rejects, is readily conceded. But what is a matter for regret is that when purchasing new equipment, not enough attention is paid to selecting equipment with hi-tech features incorporated into it.

Since the induction of the new technology-oriented government in New Delhi, there has been a spate of management seminars on high-technology, quantum leap, export drive, competitiveness in foreign markets and other esoteric themes over the last 18 months. In addition, a national seminar on 'Technology, Productivity and Employment' is scheduled to be held at Delhi in April 1986.

ADVANCED EQUIPMENT

This is all to the good. But, to recall an age-old cliche, one cannot make bricks without straw. And the straw for the Indian industrial brick is equipment of advanced high-tech design and potential. Everyone appears to recognise this. Government, industry and business proclaim with one voice that Indian industry's products are outdated, its equipment is obsolescent and manufacturing processes are antediluvian.

Of course, there are exceptions. I had the opportunity of spending a couple of days last November at Reliance Industries' works in Ahmedabad. The company's new south-side plant is a sight for sore eyes. The degree of high-technology incorporated into the system is heartening. No machine in that factory is more than five years old. And the company is planning to bring this average age of equipment down to three and a half years. Also, when equipment is replaced, it is invariably replaced by more advanced and superior substitutes.

Similarly, when I visited the works of Elpro International Ltd. at Chinchwad, Pune a few weeks ago, I was pleasantly surprised to find that the company had recently formulated a new policy framework in respect of capital equipment procurement. This new system introduced at Elpro International offers complete latitude to all departmental heads and managers to interact and offer their specialist views. The refreshing feature of the system is that the three departments which are generally ignored when equipment procurement decisions are taken, *viz.* the maintenance department, the quality and reliability assurance group and the safety division, are right in the thick of the decision-making process at Elpro.

NO GUARANTEE

But however modern and versatile a piece of equipment may be, one predominant consideration governs its choice—the ease, speed and flexibility with which it lends itself to maintenance or maintainability (as per the technical jargon of the plant engineering world). No machine, whether fabricated by man or robot, can be guaranteed to give trouble-free service. The recent mishap with the *Challenger* space shuttle is proof enough of this incontrovertible statement.

Let us not, however, frighten ourselves with such freak disasters and horrendous calamities. Such things do happen; and machinery breakdown is a fact of industrial life. The cost inputs of effort, expensive spares and downtime resulting from major or minor failures in complicatedly designed equipment can cut into corporate profitability significantly. That is why 'maintainability' has to be carefully assessed to ensure the choice of appropriate equipment rather than technically *avant-garde* plant and machinery.

The second typical example of capital equipment purchase policies is provided by public sector enterprises. The country from which the equipment is to be imported is usually determined by the government and its representatives on the board of the corporation. If rupee payment facilities are available, it is an added attraction. The net result is that huge, unwieldy and semi-obsolete equipment with unwanted back-up spares is dumped on these organisations. If, on arrival, the equipment fails to function, a foreign delegation of experts descends on the scene and spends fruitless months in cajoling the equipment to deliver the goods.

A third common enough example in Indian industry is of a firm in which the chief executive believes he is the fountain-head of all technical knowledge. In such firms, quite often, no consultations take place and the chief executive orders the equipment which he thinks is best suited for the company. More often than not, his choice turns out to be sub-optimal.

The moral? A hi-tech culture cannot be introduced into an organisation by the wave of a wand. The backbone of every modernisation and technical advancement programme is an organisation's ability to procure hi-tech equipment which works. Therefore, the equipment procurement planning process of a firm must be a truly concerted and integrated effort, which it rarely is in Indian industry.

Pick of the jobs



"The dramatic change in the business climate over the last year and the resultant spurt in corporate activity has, not surprisingly, led to a steep rise in the demand for professional management skills. Consequently, there's an upsurge in the demand for a new breed of professionals who are highly sensitive to the changing environment, and are able to cope with new technologies and varying demand patterns. They must also be capable of taking risks and staking their personal fortunes on the outcome of their decisions," opines Clarence Lobo, director of Personnel Search Services, a well-known Bombay-based recruitment agency.

According to him, the identification of managers within this select breed which possesses an entrepreneurial outlook and skills, offers the biggest challenge to the executive search consultant today.

FINANCE DIRECTOR - CUM-COMPANY SECRETARY



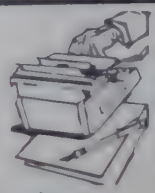
Personnel Search Services is looking for a finance director - cum-company secretary to head the finance functions of a rapidly expanding multinational pharmaceuticals manufacturing company based in Bombay. The company has a strong presence in agrochemicals and a current annual sales turnover exceeding Rs. 40 crores.

For this key portfolio, the ideal candidate would be an outstanding chartered accountant in his early forties, with experience in taxation and financial planning, and an excellent track record in a multinational or a well-known, professionally managed Indian company. He should preferably have qualified as a company secretary, as he will then be able to head the secretarial functions of the company as well. A good personality and communication and leadership skills are essential prerequisites.

Salary and perquisites offered are comparable with the best in the industry, with the total package being negotiable in the range of Rs. 1,20,000-1,50,000 per annum.

Enquiries to Personnel Search Services, 45 Bajaj Bhavan, Nariman Point, Bombay-400021. Tel: 2022885.

GENERAL MANAGER—MARKETING



A reputed Indian pharmaceuticals manufacturing company based in Bombay, with an annual growth rate of 30% and an expected sales turnover of Rs. 10 crores for the current year, has retained Personnel Search Services to locate a general manager to head its marketing function.

Aspirants should preferably be postgraduates in management up to 50 years of age, with 10-15 years' experience in the marketing, sales and distribution of pharmaceutical products.

The appointee will report to the managing director. The salary is negotiable and perquisites include a chauffeur-driven company car.

MARKETING CONTROLLER

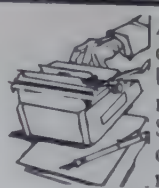


Personnel Search Services is shopping around for a high-flying marketing controller for the consumer entertainment division of a multi-product company based in Bombay with an annual sales turnover of Rs. 45 crores, which is a part of a well-known business group.

To fit the bill, aspirants should be well qualified and be between 35-40 years of age, with 10-15 years' experience in the marketing of consumer durable products through a dealer network in a competitive industry.

The appointee, who will report to the head of the division, will be paid an attractive salary, and benefits will include a liberal conveyance allowance.

MANAGER—BUSINESS DEVELOPMENT



A leading multinational computer manufacturer based in Bombay has retained Personnel Search Services to recruit a manager, business development.

To qualify for this position, aspirants should be engineers in their thirties with postgraduate qualifications in industrial engineering and extensive experience in the areas of industrial engineering, production planning control and materials management at senior management levels in the heavy engineering industry. They must also be conversant with computer applications in the above areas, although they need not be systems specialists. A high degree of communication skills is also a prerequisite for the job.

The job which is based in Bombay involves the identification of suitable application areas in the heavy manufacturing industry, interacting actively with systems personnel for the development of software packages for the above sector, and offering customer support services to the marketing team. The appointee will report to the general manager.

Salary and perquisites offered are very attractive and will not be a limiting factor for the right candidate.

VICE PRESIDENT—FINANCE



Anand Consultants has launched a search for a hard-core finance professional to take over the reins as vice president, finance, of a large, diversified, blue-chip company based in Bombay, with an annual sales turnover of about Rs. 200 crores.

For this key portfolio, aspirants should be chartered or cost and works accountants, or postgraduates in business management with specialisations in finance. They should be between 40-50 years of age and should currently be working in a similar position, having earlier held senior positions in finance in well established companies. They should also have a pleasant disposition, be astute thinkers and have the ability to inspire confidence.

The compensation package will be between Rs. 6,000-8,000 per month in addition to lavish perquisites.

Enquiries to Anand Consultants, 109 Bajaj Bhavan, Bombay-400021. Tel: 2024955, 2028014.

COMPANY SECRETARY



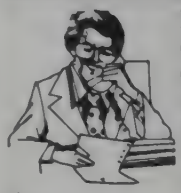
A well-known chemical manufacturing company in Gujarat which is part of a big industrial house, has engaged the services of Anand Consultants to zero in on a high calibre company secretary, under 45 years of age, for its Bombay office.

For this portfolio, the aspirant should be a fellow of the Institute of Company Secretaries with a legal or financial background and experience *inter alia* in office administration, capital issues,

fund raising and management information systems.

Salary will be no constraint for the right candidate and will in no case be less than Rs. 80,000 per annum gross.

MARKETING CONTROLLER



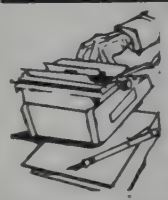
For the pharmaceutical division of the same company, Anand Consultants has been retained to recruit a high-flying marketing controller in his early forties.

Aspirants for this top spot should be postgraduates in marketing management with some experience, preferably in a continuous process industry.

The appointee has very good prospects of climbing up the ladder to the position of vice president within a short period.

The salary indicated is between Rs. 6,000-7,000 per month and perquisites will be liberal.

GENERAL MANAGER—HRD



Anand Consultants is scouting around for a general manager (HRD), between 35-45 years of age, for the same company in Bombay.

For this slot, the minimum requirements are a postgraduate degree in personnel management from a reputed institution, a sound track record in good companies in the personnel function which should have included manpower planning, employee recruitment and selection, industrial relations, training, management development, wage and salary administration, welfare and maintenance of employee records. The right candidate wouldhave spent the last three to four years working in a HRD or management development function.

For the right candidate, the compensation package will be around Rs. 5,000 per month plus liberal perquisites.

MARKETING MANAGERS



Marketing Advisory Services has been retained to recruit three high-flying marketing managers for the Delhi, Bangalore and Ahmedabad offices of a reputed computer company.

To fit the bill, aspirants should be graduates below 26 years of age with two to three years' experience in the marketing of consumer durable products. They should also possess that extra bit of energy and drive.

The appointees will be responsible for the total marketing functions of their region, encompassing the formulation and execution of marketing plans and strategies, sales management and the development of new product applications and markets.

The compensation package will be Rs. 40,000 per annum.

Enquiries to Marketing Advisory Services, 541, Eleventh Road, Bombay-400071. Tel: 5518027.

PURCHASE MANAGER



A multinational pharmaceuticals company in Bombay has retained Marketing Advisory Services to look for a purchase manager.

To fit the bill, aspirants should be engineering graduates, around 40 years of age with at least 10 years' experience in the purchasing function in a large pharmaceuticals company.

For the right candidate, the compensation package will be a hefty Rs. 90,000 per annum.

DY. GENERAL MANAGER—PERSONNEL ADMINISTRATION



Career Placement & Marketing Services has launched a search for a deputy general manager for a large industrial house based in Bombay, manufacturing *inter alia* textiles, with an annual sales turnover of over Rs. 275 crores.

For this key slot, aspirants should be postgraduates in personnel management from reputed institutes, between 35-45 years of age and have 15-20 years' experience in the personnel division, out of which 10 years should have been in a senior position in personnel management, administration, human resources development and industrial relations. Foresight, flexibility, quick decision-making skills and the ability to get on with people from all types of backgrounds will be some of the other assets which will be considered at the time of selection.

A good performer can expect a quick climb up the corporate ladder to the position of general manager.

The compensation package will be around Rs. 6,000 per month but is negotiable, and there'll be liberal perquisites including residential accommodation if necessary.

Enquiries to Career Placement & Marketing Services, P.B. No. 8105, Bombay-400051. Tel: 6421794.

TAXATION MANAGER



A large, reputed engineering company in Bombay which has an annual sales turnover of around Rs. 80 crores has retained Career Placement & Marketing Services to scout around for a taxation manager.

To fit into this empty slot, aspirants should be chartered accountants, between 35-40 years of age, preferably with a degree in law, and between 15-20 years' experience in taxation, out of which 10-15 years should have been in a senior position. They must have a thorough knowledge and experience of direct and indirect corporate taxation.

The job entails responsibility for planning and managing corporate tax matters including estate duty, wealth tax, etc.

The compensation package, which is negotiable, will be Rs. 7,500 per month plus perquisites including a chauffeur-driven car and residential accommodation if necessary.

FINANCIAL CONTROLLER



Career Placement & Marketing Services has launched a search for a financial wizard to assume charge as financial controller of a multinational pharmaceutical and consumer products manufacturing company in Bombay.

To fit the bill, the aspirant should be a chartered accountant, between 35 and 45 years of age, with 15-20 years' experience, out of which a few years should have been in a similar capacity.

The main thrust of the appointee's duties will be responsibility for the finance and accounting functions, financial forecasting, tax planning, negotiating and coordinating with banks, management information systems and budgetary functions. He should also be familiar with computerised financial and accounting systems.

For this pricey job, remuneration will be in the region of Rs. 6,000 per month plus wide-ranging perquisites including accommodation if required.

Indra Gidwani

BusinessWorld
Apr 14–27 1986

The pleasures and perils of the job hoppers' fraternity

By SUJOY GUPTA

The recent unceremonious exit of two high-flier externally inducted chief executives from two blue-chip companies, has set corporate dovecotes across the country aflutter. Now, corporate managements are taking a much harder look at the costs and benefits of recruiting managers with job hopping records, within the fold.

One of the traditional and venerated holy cows of the Indian business milieu has been job security. In the public sector, of course, this is axiomatic. But even in the country's private sector, an unwritten house-rule which has been respected over the years has been that only acts of grave moral turpitude ought to invite the "supreme penalty" of abrupt dismissal from employment.

All the more reason, therefore, why two recent unceremonious exits of high-flier chief executives with enviable track records — from companies known to be conservative — have set corporate dovecotes across the country aflutter. Last September came the out-of-the-blue announcement from Voltas House, Bombay, that the term in office of Ramesh Sarin (49), the high profile president of Voltas Ltd. (sales: Rs. 369.68 crores in the year ended 31st August 1985), was being cut short midway. The grounds for the highly rated Sarin's sudden resignation were not specified, but by all accounts they could be described in perhaps a single word: incompatibility.

And before the astonishment – not unmixed with consternation at the cold-blooded seriousness of the drama – which overtook the managerial fraternity as a fall-out of Sarin's cashiering had subsided, came stunning news from Calcutta. Any early-warning rumblings from within the portals of Magnet House, headquarters of the General Electric Co. of India Ltd. (GEC – sales: Rs. 80.3 crores in the year ended 31st March 1985), were kept well under wraps. But by November it was made clear to GEC's newly installed managing director Dr. M.D. Shukla (46) that he was proving to be a misfit in the highly profitable but deeply conservative company. Equally abruptly, Shukla submitted his resignation and went on leave. When the resignation was accepted on 6th December, Shukla's tenure in GEC had lasted exactly six months and a day.

If their impressive track records are anything to go by, Sarin and Shukla seemed the most unlikely candidates for the chopping block. Sarin had been appointed president and chief executive of Voltas Ltd. in August 1981, at the culmination of perhaps the most extensive top level managerial headhunt in Indian corporate history and he brought with him into Voltas House, a quarter century's experience in the highly respected Calcutta-based company ITC Ltd., of which he had risen to become deputy chairman. The stringent eligibility criteria laid down by A.H. Tobaccowala, chairman of Voltas, and which were met by Sarin, included four overriding attributes: proven managerial competence, unimpeachable integrity, international experience and awareness of management trends abroad. In the words of Sarin's former colleague Jagdish Sapru (52), incumbent chairman of ITC Ltd: "Ramesh is a highly structured individual who has the capacity to set very clear objectives and has a strong result orientation."

Equally impeccable were





Sarin: unlikely candidate for the chopping block

the credentials of Shukla for the job of chief executive of GEC. An electrical engineer by training with a doctorate in marketing earned in the United States, Shukla had a successful stint with Bharat Heavy Electricals Ltd. (BHEL) and was managing director of BHEL's associate company in Libya, at the time when he also moved into Voltas House as the company's vice president in 1981. In the three years he was with Voltas, Shukla is widely credited with having engineered the dramatic increase witnessed in the profitability of Voltas' electrical business group. Reportedly Shukla was GEC chairman Dr. R.S. Mamak's personally handpicked choice for the position of the country's most profitable electricals company. Not surprisingly, the media-shy Mamak's choice was readily endorsed by the London-based parent GEC plc's overseas director Peter Higgins, who flew out to India to interview Shukla before ratifying the appointment.



Shukla: impeccable credentials

INESCAPABLE CONCLUSION

Given their impressive performance records, it is quite obvious that no merit-based performance evaluation could have led to achievers like Sarin or Shukla being shown the door. Consequently the conclusion is inescapable: they were the victims of intra-organisational pressures generated by the corporate body rejecting externally injected organisms.

Not surprisingly, not a few among the country's managers – particularly those of the unapologetically ambitious variety – are creasing their worrybrows lately in the apprehension that the recent top level exits in Voltas and GEC could well be indicative of a new and unwelcome trend in Indian industry. With Indian industry seemingly poised on the threshold of an era of unprecedented boom, given the Planning Commission's prediction of an 8% per annum compounded rate of growth in industrial output in the medium term, fast-track companies will inevitably have to rely on job hoppers to fill the many managerial slots which are going to be created. And this cross-section of high-drive executives in Indian industry fear that the winds of fundamentalism – for surely allergy towards aliens is but the thin end of the fundamentalist wedge – can only be ill-winds.

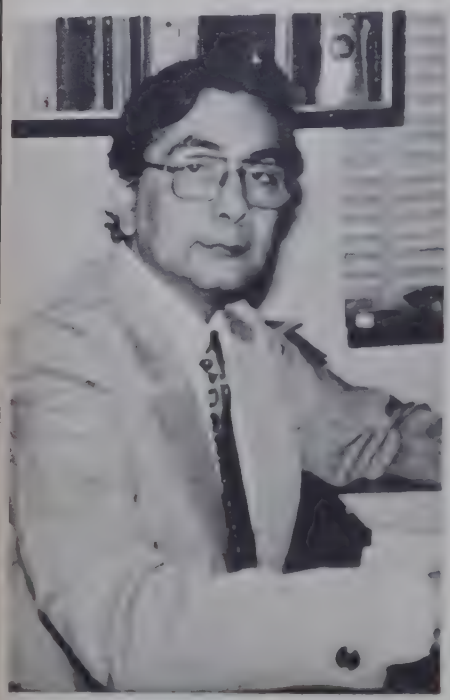
As a first casualty, job switchers' career advancement prospects are bound to become dimmer, depriving industry of the benefits of cross-fertilisation. Reduced managerial mobility could lead to a jamming of the brakes of economic growth. Thus, do the minority of managers-in-a-hurry rationalise the ill-effects of emerging fundamentalism within the corporate sector.

For this minority of risk-taking professionals, job hopping or job switching has been the accepted short-cut route to the top echelons of the corporate sector. "Job hopping is a great deal more common in India now than it was five or 10 years ago," says Satya Brata Ghosh (50), a UK qualified chartered accountant who is the Bombay-based partner of Price Waterhouse & Co., the well-known 104-year-old Calcutta headquartered audit, consultancy and recruitment firm.

DECLINING LOYALTY

"Indian industry has grown quite rapidly over the last decade and simultaneously the demand for professionalism has also grown. This has resulted in a growing demand for experienced and competent managers to fill senior positions on the one hand, while on the other, traditional loyalty to employers has declined. Both these developments make it possible and ethically acceptable for people to switch jobs," explains Ghosh, who heads the Bombay operations of Price Waterhouse.

That job hopping to the top is a phenomenon of relatively recent origin is indicated by the fact that the ranks of managers who are in or near retirement are replete with instances of chief executives who stayed with a company and rose within the hierarchy. A quick random survey of major companies throws up the far from exhaustive list of S.P. Acharya (chairman of Shaw Wallace); A.L. Mudaliar (former chairman of the ICI group of companies in India); Jahar Sengupta (chairman of Chloride India); Russi Mody (chairman of Tata Steel); Ajit Haksar (chairman emeritus of ITC Ltd.); and T.D. Sinha (former managing director of Indian Aluminium), among others. But in recent times, several conservative companies have



Ghosh: ringside view

emulated the Voltas example of importing top management talent from without.

Consequently not a few companies are currently managed by individuals who are not one-company men. A quick list would include the names of C.S. Samuel (Brooke Bond India Ltd.); Biji Kurien (Berger Paints); Subhas Subberwal (Jenson & Nicholson); Vinod Krishna (Shalimar Paints); B.D. Bose (managing director of Chloride India, effective from 1st April, and Sengupta's heir apparent); and Sashi Budhiraja (Indian Oxygen).

UNCERTAIN FUTURE

With his ringside view of Indian industry, Ghosh opines that the "few companies which have well planned career paths for their executives and impartial systems for recognising and rewarding merit and ability, are precisely the ones which have the fewest job hoppers." Examples of such companies cited by him are Hindustan Lever and several. Tata group companies, among others. "In companies where such systems don't exist, executives tend to be uncertain about their future and hence the urge to switch," says Ghosh.

Ghosh's observations are corroborated by the personal explanations of several job switchers who have risen to positions of eminence and who were asked by *BusinessWorld* as to why they felt impelled to look for a change. The answers were along uniform lines: "no career planning," "couldn't see a future in the organisation," "to prevent stagnation," "to further personal development," "lack of goal congruence," "to seek a freer hand in respect of both the internal and the external environments."

Predictably, most job hoppers who have risen within the corporate world saw little but the positive side of this phenomenon. One such is B.D. Bose (49), an electrical engineering graduate of Glasgow university and a cost accountant who has been appointed managing director of Chloride India Ltd. (sales: Rs. 78 crores in the year ended 31st August 1985) with effect from 1st April, thus ending the long-standing speculation as to who would succeed Jahar Sengupta (60) as chief executive of the company.

Bose began his career as a professional manager in Britain, working with English Electric for a while before returning to India in 1964 to join Crompton Greaves. In 1969 he moved to the then private sector Andrew Yule & Co. Ltd., where he rose from the position of deputy sales manager to that of general operations manager in eight years. When Andrew Yule was about to become a full-fledged government enterprise, Bose left for a general manager's job with Chloride, which was then setting up its Haldia plant. Within five years, in 1982, he found a place on the Chloride board as director (manufacturing). Four years later, he has just been appointed chief executive of this highly rated Calcutta-based blue-chip company.

ESSENTIAL INJECTION

"Job hoppers are assets to a company which is either in the process of changing its culture – say from a production to a marketing orientation or vice versa – or which has a growth and diversification exercise on the drawing board," says Bose. "At both these times in the life of a company, the injection of new ideas and perspectives at various levels is very essential. Lateral entrants are more likely to provide these inputs," he adds, making the picturesque quip that "while rolling stones may not gather moss, they do gain momentum."

A former colleague of Bose who has also made good use of momentum to leverage himself to greater heights in the corporate world is Abhijit Sen (40), a Massachusetts Institute of Technology qualified engineer, and a UK qualified chartered and cost accountant all rolled into one, who has – predictably enough – the reputation of being a whiz-kid in Calcutta's corporate circles. Armed with his string of overseas degrees, Sen joined Macneil & Magor in 1970, but soon answered the siren call of the more glamorous ITC Ltd., where he shattered several records by being promoted to the rank of general manager at the age of 28. Four years later, he moved into Chloride House in Calcutta as finance director. But – perhaps sensing that when the time came, he would not be called up to succeed Sengupta – in 1983 he signed up with the fast expanding NICCO group as deputy chairman.

Says Sen: "Looking back, I don't think any one company could possibly have offered me the career path of entry at 24, general manager at 28, director at 32, and deputy chairman at 37. Besides,



Bose: picturesque quip

by job hopping one can avoid the antagonisms caused by having a former boss as one's junior in the course of time – a difficult to handle situation which is bound to arise if a high-flier seeks a career within a single company."

According to Sen, his search for a job with "high satisfaction content" has now ended. To a large extent, he says, this stems from the fact that working for an Indian business house means wrestling with fewer governmental constraints ("no FERA, for instance") and not having an "overseas boss dictating things from across the seas." And having hopped his way into the NICCO group, Sen, together with chief executive Rajive Kaul, has set an explosive pace for the growth of the NICCO group of companies.

Having joined the group when its aggregate sales turnover was only about Rs.30 crores per annum, Sen has been instrumental in launching NICCO into several new lines of business: merchant banking, leasing, on-site engineering, consumer electronics, telecommunica-

tions and the manufacture of batteries. He claims that group turnover will touch the Rs.90 crore mark in fiscal 1986-87. "The freedom to be able to seize suitable business opportunities is no small satisfaction," he says.

JOB SATISFACTION

Sen also makes the point that no amount of money can ever compensate for this sort of job satisfaction. "Indeed, in net-of-net terms after accounting for inflation and taxes, I daresay I'm no better off now than when I was 24. Financial considerations have not been the end factor which have weighed with me whenever I've changed jobs. Rather, the prospect of finding challenge and opportunity has been the prime motivator," he says.

Yet another apologist for the job hopping phenomenon is human resources development (HRD) expert Ivan J. Mathias (47). A graduate of the Tata Institute of Social Sciences, Bombay, and currently vice president (personnel and HRD) of East India Hotels Ltd. (sales: Rs.45.7 crores in the year ended 31st March 1985), the flagship company of the 377 managers strong Oberoi group of hotels, Mathias believes that far from tapering off, the era of job hoppers is only just beginning. "In the Indian context, one company growth will soon be a thing of the past. For, as industrial growth accelerates, there will always be openings for the well-trained, restless and impatient executive who cannot see himself reaching the top in one company even if he hangs around for 25 years," he says.

In Mathias' own case, ambition has acknowledgedly played a role as "an under-pinning influence." During his yet far from over career as a professional manager in Indian industry, Mathias has waltzed through four companies already – Metal Box (nine years), Vazir Sultan Tobacco(three years), ICI (seven years), Brooke Bond (three years), and now he has been with East India Hotels since mid-1985 – steadily climbing the corporate ladder with each change.

What assortment of priorities has sent him on a hop-skip-and-jump through four job changes? Not money; ambition only in part ("to reach the top of the function"); predominantly principles. "Two factors have weighed heavily with me. One, the inability to accept expediency as being the major factor in making personnel decisions. Two, rejecting organisational cultures where, despite lip-service being paid to the importance of the human resource, the personnel function is often headed by people who do not have the requisite credentials," says Mathias, adding acidly: "It is difficult for me to accept the fact that personnel is the parking lot for managers who have not lived up to the top management's expectations in other areas."



Sen: challenge motivation

DETAILED EXAMINATION

As a widely experienced HRD man, Mathias' expert opinion is that it is important for a company to communicate its expectations to its executives and also communicate the rewards which are legitimately possible. In his opinion, it is possible that this is precisely where the Voltas and GEC top management went wrong vis-a-vis Sarin and Shukla respectively. "Organisations will have to learn that it is not enough to merely employ high-fliers. They must be prepared to stomach some boat-rocking too. To start with, I suggest that ambitious top managements should begin by examining their corporate cultures in detailed and explicit terms," advises Mathias.

Certainly, there is much merit in

Profile of a job hopper

The job hopping phenomenon in Indian industry finds both detractors and supporters,with the latter perhaps outnumbering the former.It is unlikely that any serious research has been conducted on the subject of drawing up a psychometric profile of a typical job hopper.However,by talking to psychologists,recruitment experts and a cross-section of informed managers, *BusinessWorld* has collated the dominant personality traits of this species within the professional management community.

It might be advisable to bear in mind that these are personality and not competence traits.Indeed,if one consensus emerged from this informal survey, it was that there is little to choose between hoppers and stayers in terms of levels of competence.The point also emerged that although some job hoppers might switch jobs because they cannot handle their current assignments with sufficient competence, it need not imply that they are incompetent *per se*.

Some of the dominant traits of the typical job hopper:

Positive

- Result-oriented, keen to build up a career track record
- Motivated, innovative
- Ideal type to catalyse change in a company
- Ambitious
- Willing to accept challenges
- Ideal type to manage growth and diversification

Negative

- Cannot contribute to organisation because of brevity of tenure
- Unable to get along with colleagues
- No long-term commitment
- Impatient
- "There must be something wrong with someone who changes his job every few years"


BEYOND
COMPARE
Mattresses
that are too soft can cause
backaches. Those that are too hard,
result in discomfort.
Young or old, only KURL-ON
gives you complete relaxation.
Comfort as you like it,
support where you need it,
elegance to match your lifestyle.
Kurl-on®
India's No. 1 Mattress.
For comfort. Support. Elegance.
Karnataka Consumer Products Ltd..
Industry House, 45, Fair Field Road,
Bangalore-560 001. Phone: 76746/72710.
Company's Showrooms and Offices
• Bangalore: 220314 & 224676. • Cochin: 366744.
• Madras: 810710. • Hyderabad: 234560
• New Delhi: 772019. • Calcutta: 232089.
MASS KURL-ON/86



Mathias: two-way process

Mathias' assertion that the give-and-take of adjustments and adaptations must be a two-way process between newcomer and employer. It can be argued that the above average calibre manager who switches jobs in favour of a new employer is doing the latter a favour,and unless his competence is respected, it is unlikely that the company can derive the full benefit of his or her expertise. Because, as far as "good" managers are concerned,it is still a sellers' rather than a buyers' market. Besides,there is always the overseas job option available for really outstanding managerial talent. Thus the long and short of it is that should Indian industry be unable to "stomach some boat-rocking," the loss is likely to be industry's rather than of these peripatetic members of the managerial fraternity.

Yet, the debate on the pros and cons of the job hopping phenomenon is an old one. In summary form, the arguments in favour are that job switchers are rather more willing to accept challenging assignments; are result-oriented, motivated and innovative; and are the right sort to handle growth or change-related tasks. The other side of the coin is that job hoppers are unlikely to entertain a long-term commitment to an organisation; are unlikely to get along too well with colleagues; and might not stay long enough to positively contribute to the growth and development of a company (see box of job hoppers' personality traits, p.47).

But paradoxically, companies need to have enough job hoppers on their rolls at any given point of time because otherwise, over the years, their organisational structures will assume cylindrical rather than pyramidal shapes, as is happening, for instance, within the State Bank of India, which has well over a dozen deputy managing directors.

NO ALTERNATIVE

Besides, as the rapidly growing indigenous business houses are experiencing, there is simply no alternative to inducting managers from without when a new project of a significant size is promoted. For example, when Calcutta-based industrialist Rama Prasad Goenka promoted India Polyfibres Ltd. last year to set up a Rs.73 crore, 15,000 tonnes per annum polyester staple fibre manufacturing plant near Lucknow, he was forced to look around for a chief executive. His search finally ended with S.N. ('Sati') Kuckreja, then marketing director of Chloride India.

In the case of Haldia Petrochemicals Ltd., the close to Rs.1,000 crore project which is Goenka's most ambitious venture yet, it is self-evident that he will have to import yet another new chief executive into his burgeoning group.

Another case in point is that of his younger brother Gouri Prasad Goenka, whose Rs.250 crore per annum independent business empire (of which Duncan Agro Industries Ltd. is the flagship company) is largely managed by three whiz-kids still in their thirties, *viz*. Bhaskar Banerjee, Pradip Kakkar and Amit Sengupta – job hoppers all.

But while it stands to reason that the business house of Duncan will have to bestir itself to smoothly assimilate a valued newcomer like Kuckreja within the group, it is also arguable that the inductee also needs to overcome the job hopper's main problem, *viz*. adjustment to a new organisational culture. The inability to do so has stalled many a splendid career path in its tracks, as Sarin and Shukla have no doubt discovered. Although Kuckreja, who has shifted home from Calcutta to Lucknow, could not be contacted, Mathias (quoted earlier) admits that he "agonised" a while before taking the plunge to join a family dominated organisation such as East India Hotels.

And as with many things in life, there are however no hard and fast rules which facilitate the process of cultural adjustment when an inductee enters a firm at a senior level. "I think it is very important to establish a rapport with key individuals in the new organisation. But the rider here is that the key individual need not necessarily be the top man," says M.R. Hosangady (59), chief representative in India of the Rhone-Poulenc group, France. A veteran job switcher, Hosangady began his career in Esso, of which he became the chief representative in Delhi; served as the chief executive of Sri Ram Mills of the Batliboi group, and Amar Dye Chem; and went on to become the chief executive of May & Baker (India) Ltd., and later of the Rhone-Poulenc group of which May & Baker is a part.

"When I joined the family dominated Batliboi group in 1974 after serving in

Hosangady: "important to establish a rapport with key individuals"



the professionally managed Esso, I entered an entirely different world of management. However, I was able to establish a rapport with all the key personnel in the group. Thus, despite a sea-change in my working environment, I was able to avoid experiencing a culture shock. A job switcher should be mentally prepared for an entirely different environment and expect the worst while hoping for the best," says Hosangady.

In particular, Hosangady warns that any attempt to change an organisation's culture overnight is to court disaster. He suggests that a new entrant ought to spend at least six months studying the new environment before introducing changes, and that too gradually. "Every corporate organisation has its own culture and its merits. These should be respected," counsels Hosangady, adding: "The ability to synthesise the existing strong points of a company's culture with change is the challenge which confronts the chief executive or senior manager entering a new company."

DISTINCTIVE CULTURE

Corporate analysts generally agree that four main sub-cultures constitute the culture of Indian industry, *viz.* the distinctive culture of the multinational affiliates; that of the public sector; that of the large Indian business houses (Tatas, Birlas, Singhanias, Thapars, etc.); and that of the medium-sized groups (Orkays, Oberois, Poddars, etc.). In each sub-culture, the management style and corporate culture is distinctive and peculiar. The consequence thereof has been that each category nurtures and produces a distinctive breed of managers which increases the risk of maladjustment for inter-group job hoppers.

Reminisces Hosangady: "The transition from the wholly professionally managed Esso to the Batliboi group was tantamount to entering an entirely different world. Whereas Esso was highly organised, the companies in the family managed Batliboi group were very much less so." Ultimately, he did not last longer than a couple of years with the latter before returning to the multinational sector.

This illustrates the fact that the job hopper who inevitably sticks his neck out, could well be staking his career on his judgement. A job switch need not necessarily result in a short-cut to the top of the corporate ladder. A case in point is the instance of Arabinda Ray (53), an alumnus of Presidency College, Calcutta, who stuck with Metal Box – those were the halcyon days of this company – until he rose to the rank of deputy managing director while still in his thirties. He then moved up in one big hop to the position of chairman of the Indian Iron & Steel Co.(IISCO) at Burnpur near Calcutta.

After IISCO was nationalised in the seventies, Ray found a berth as managing director of Warren Tea Ltd., which was then a small fish in Calcutta's corporate waters. When Warren Tea was purchased by the London-based Ruias in 1983, Ray was asked to vacate the chief executive's *gaddi*. He next signed up with GEC, the quintessential job hopper's haven, as one of half a dozen executive directors without a seat on the board – an obvious comedown. And by no stretch of the imagination can Ray, with his wide and varied experience in industry, be termed less than competent.



Ray: wide and varied experience and more than competent

Such examples notwithstanding, there is a widespread belief that job hoppers have a better chance of making it to the top than stayers. But there are job hoppers and job hoppers. A senior manager with vast experience in the field of personnel recruitment is of the opinion that executives who have tended to stay for less than five years in each previous job are generally considered bad bets for senior positions. In his experience, managements usually prefer individuals who have held two or three jobs earlier for relatively longer time spans, because such managers are likely to have developed a wider and more mature base of knowledge and skills.

"These relatively stable job hoppers have as good a chance of reaching the top as managers who are stayers," says this expert who, however, is convinced that there is "no evidence to substantiate the impression that a job hopping record improves an individual's chance of getting to the top."

Nevertheless, given the rising incidence of job hopping within Indian industry, there has to be a sociological explanation for the increasingly frequent decisions of managers in industry to forsake the comfort of security and sail unfamiliar courses in strange corporate waters. A Madras-based management consultant, Dr. (Mrs) Amritha Besant Raj (53), a doctor of industrial psychology (Osmania university) who has also earned her masters' degrees in education (from Boston) and psychology (Benares), offers interpretations which differ for older and younger managers.

In her considered opinion, the younger generation of managers is more ambitious, independent and confident. These managers are more willing to change and adjust, she says, quitting only when they are confronted with "an impossible situation," and then too not so much for money as for "better opportunities and prospects in terms of a career."

MORE CONSERVATIVE

On the other hand, says Raj, the senior generation of managers is inclined to be more conservative. "Even

A tale of two companies

Curiously, the two Calcutta-based British affiliated companies of ITC Ltd. and General Electric Co. of India Ltd. (GEC) provide a study in contrasts in the matter of managing executive resources.

Here is a point to point comparison between the human resource development (HRD) practices followed in the two companies:

• ITC has a full-fledged manpower development group which conducts around 35 programmes annually. The group works in close cooperation with its counterparts in the operating divisions (tobacco, leaf tobacco development, packaging and printing, hotels, etc.) to ensure that training and development programmes are available to all the divisions of the company. The HRD function is supervised by a wholetime director.

GEC has no formalised HRD activity. There is no organisational system through which high-fliers are identified and career plans developed for them. Personnel matters are supervised by a general manager (staff). The only time the company had a personnel director was during 1980-83 when Professor Nitish De held this position. Since he resigned on personal grounds, the vacancy has not been filled.

• ITC has 11 wholetime directors, all of whom without exception are faithfuls who have tarried and grown with the company.

GEC has four wholetime directors and nine executive directors. Only six of these 13 directors have had long stints in either GEC or its associate companies (English Electric, Genelec and Avery India). The lateral entrants into the company's top management come from an unrelated variety of employers: Warren Tea, Gramophone Co. of India, Siemens, Duncan Agro Industries, Hindustan Brown Boveri and so on.

• ITC has carefully chalked out succession plans at the top level. The company has a designated No. 2 (Samir Ghosh, designated vice chairman), plus two deputy chairmen as back-ups. The relatively junior directors can legitimately and reasonably aspire to these top positions.

GEC has no known succession plans. None of the directors is particularly young. Most of the executive directors are too new to the company to have built up a track record within the company. Recently, one managing director who was transplanted from outside, was sacked after six months. Currently, a search is on to choose a replacement. Once again, an outsider is likely to be brought in.

• ITC has an open culture inasmuch as the chairman is both visible and accessible.

GEC has a closed culture inasmuch as the chairman is neither quite visible nor accessible.

• ITC has always had a low turnover of managers.

GEC and its associate companies have a relatively high level of turnover at all levels of the group's managerial cadre.

• ITC is a structured organisation in which systems are well defined and powers duly delegated down the line.

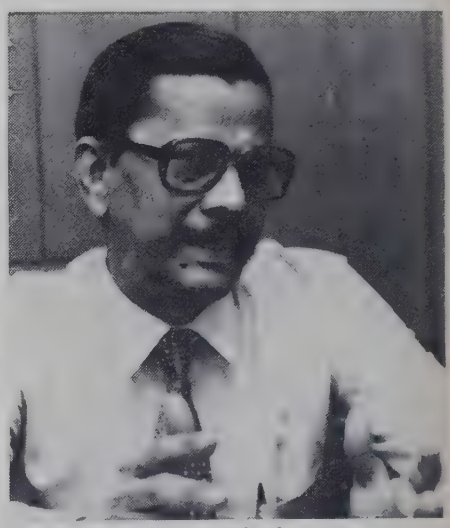
GEC has a centralised authority system in which many executive powers vest in the chairman.

In all fairness, it must be conceded that GEC is, nonetheless, a highly profitable company. In its year ended 31st March 1985, it recorded a pre-tax profit of Rs.5.3 crores on a sales turnover of Rs.80.3 crores. But then, statistics do not vouch for the human side of an enterprise. Therefore, the question must be asked: have GEC's profits been earned because of — or despite — the absence of a personnel policy and the consequent flitting in and out of job hoppers and outside transplants?

The superiority of the human side of ITC was recently confirmed in the *BW*-MARG poll conducted recently to adjudge the most respected companies of 1985 (*BW* February 3-16, 1986). Although ITC was ranked as low as sixth in terms of its overall score, a representative sample of managers in Indian industry particularly fancied ITC as a company to work for. On this attribute, ITC was ranked third, after Hindustan Lever and TELCO and ahead of high profile heavyweights such as TISCO, Larsen & Toubro and Peico, among others.

after taking the decision to switch jobs, they tend to constantly nag themselves with the question: 'How am I being weighed?' They feel the need to prove themselves – that they know everything, are superior to others, and so on. Sooner or later, such managers begin to feel miserable and then the problems of cultural adjustments and inter-personal hassles are accentuated," says Raj, firmly declining to name names.

Raj adds that a decline in job hopping might be reasonably predicted at the seniormost levels of Indian industry. This is because while earlier seniority was the major criterion for appointment to the top jobs, currently the focus is on competence, expertise and skills, irrespective of age. This implies that one has to be constantly up-to-date in terms of contemporary technology, which is easier said than done for old-timer managers.



Gopinath Rao: harder look

"Today, if a manager is not technologically up-to-date, then he is nowhere. Since many senior managers are not up-to-date, nowhere is where they are. Thus the limit of their competence forces them to stick to one job. Of course, if asked as to why they continue working in the same organisation, these managers will naturally ascribe other reasons," she says.

One senior manager in industry who is himself a confirmed stayer, surprisingly concurs with Raj's conclusions. "People are bound to draw lessons from the Sarin and Shukla incidents and take a harder look at new job offers. At the senior level, yes, job hopping will decline," ventures S. Gopinath Rao (52), executive director (group marketing) of the Madras-based Amalgamations group.

An economics graduate of Madras university, Rao joined the then fledgling firm of India Pistons Ltd. in 1953 as a greenhorn clerk at the age of 19. After a slow but steady march up the ladder over a patient span of close to 30 years, Rao has attained the position of executive director (marketing) of the only company for which he has ever worked. In 1984, though, his responsibilities expanded to encompass group activities and currently Rao supervises the marketing function for the entire Amalgamations group.

Why did Rao never think in terms of changing jobs? Briefly put: simply because Rao found the several attributes of a good employer in India Pistons. Among them: clarity of purpose; an insistence on legitimacy to achieve such purposes; technological contemporaneity; a fair remuneration system; and independence within the framework of corporate policy.

Companies which offer such an organisational culture are rare. Yet by common consensus a company which boasts these attributes and more is the Calcutta headquartered cigarette and hotels conglomerate ITC Ltd. (sales: Rs.801.4 crores in the year ended 30th June 1985).

HIGHLY STRUCTURED

Monitors of the corporate scene are virtually unanimous that ITC is a company which strictly adheres to a highly structured decision making system. Its managers are well remunerated and are allowed the liberty of thought and action within the framework of corporate policy laid down by top management. Not surprisingly, some of its managers perform well enough to shinny up the ladder from trainee to director in double quick time. Wholetime director Yogi Debeshwar (38) did so in 16 years, and he is by no means a rare commodity in ITC.

As a matter of policy, ITC does not induct lateral entrants at the middle level and above into the company, except in rare cases and barring the hotels division, in which industry the staff turnover pattern is entirely different. Thus each of the company's 11 wholetime directors is a stayer and long-timer. By virtue of an unwritten house-rule, which over the years has earned the sanctity of a convention, job hoppers are none too welcome at ITC.

Obviously, ITC saves itself the bother and strain of having to give and take, while senior newcomers make their adjustments and find their bearings. Thus ITC and others of its ilk (IEL, Indian Aluminium, Dunlop India, Shaw Wallace, etc.) have remained relatively insulated from the phenomenon of job hopping – for better or for worse. Organisational development experts, however, say that being an island with high entry barriers is not necessarily a virtue because it leaves the organisation vulnerable to a Voltas-type mishap in which even a competent and valuable inductee is likely to be rejected.

But despite all their strengths and attractions, it is paradoxical that companies of the ITC genre are not very highly rated by a growing minority within the indigenous business management fraternity, *viz.* upmarket MBAs. A noticeable feature of the current management scene is that the graduates of the three institutes of managements (IIMs) at Ahmedabad, Bangalore and Calcutta – together with MBAs from other management schools in India and abroad – have proved to be a particularly peripatetic lot. Thus IIM-Calcutta alumnus Ashoke Dutt (batch of 1967), incumbent joint director of the Indian Institute of Port Management, Calcutta, has switched jobs over half a dozen times and finds it difficult to recall offhand the exact chronology of his entries and exits into various organisations.



Menon: "The way the Indian economy is shaping, the demand for experienced managers can only increase. I don't think we will ever see the end of job switching"

While Dutt might be an exception, the personal histories of the majority of IIM alumni are likely to indicate that they have changed employers three or four times even within the first quartile of their careers. "There are a lot of considerations behind a decision to switch jobs. The most important among them is the search for challenge. Also important is the opportunity that a change offers of exposure to a variety of different situations, problems, businesses, markets, and so on. And most important are the prospects for personal career growth that might exist," says J.K. Menon (36), a chemical engineer from IIT-Kanpur and an alumnus of IIM-Ahmedabad, who has switched jobs four times in the first decade of his career as a professional manager.

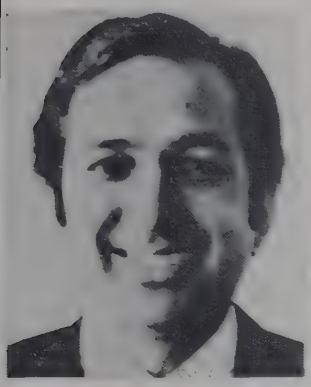
Currently, Menon is deputy general manager (marketing) at Enfield India Ltd. (sales: Rs.69.3 crores in the year ended 30th June 1985), his fourth company, which he joined in 1984. He began his career with Asian Paints Ltd. in 1974 and stayed for five years, by which time he had earned his stripes as a branch manager. Menon then pushed off for a two year stint in Tanzania and returned in 1981 to join MRF Ltd. in Madras. In 1984 he signed up with Enfield.

"I don't like to use the term 'job hopping,' which has a negative connotation to it. I'd rather use the word 'switching,'" says Menon. "Wherever there is growth or the prospect of growth, there is mobility. The way the Indian economy is shaping, the demand for experienced managers can only increase. I don't think we will ever see the end of job switching," he adds.

Thus, while there is a heightened awareness that "the risks of non-adjustment have definitely become higher" (Menon's words), it seems unlikely that the nation's younger managers, who constitute the majority anyway, will shy away from what is perceived to be the quick road to success, notwithstanding the tremors caused within the professional management community by the stunning exits of Sarin and Shukla from Voltas and GEC. Nevertheless, the fall-out of these developments is likely to be that senior managers will tread cautiously when confronted with the prospect of being inducted into new and alien organisations. With the passage of time, distinct corporate personalities are developing and maturing within the organised sector of Indian industry. And this phenomenon is likely to make the job hopping decision much more difficult as time goes by. BW

Appeals to emotion

SUSHIL BAHL



There are few contemporary marketing professionals who do not practice the general 'push and pull' theory of marketing. Every day, marketing men and women all over the country are using this theory to implement strategies to achieve their product sales targets. As competition within the marketplace intensifies, marketers are introducing innovative methodologies and techniques into their marketing plans to 'push' products into the distribution network, while simultaneously persuading consumers to 'pull' products off retailers' shelves. Broadly speaking, the push and pull theory of marketing emphasises product attributes in persuading the trade and consumers to increase offtake.

Yet, despite the widespread adherence to the push and pull theory of marketing in Indian industry, there is a whole body of evidence which indicates that this theory of marketing is far from infallible. All too often, consumer purchase decisions are influenced by reasons which are other than purely rational and have strong psychological and emotional overtones.

CROWDED MARKETPLACE

Also, in the daily marketing situation in which many of the products in the marketplace are not "meaningfully distinguishable" from competitive products, one cannot assume that consumers are just waiting to listen to the message. As most marketers will aver, one has to attract consumers' attention and make them listen to the product marketing message. And to make potential purchasers listen to product messages in an increasingly crowded marketplace, an increasing number of marketers are appealing to consumers' emotions.

However, to discover the emotional appeal of a product and then use it effectively to market and advertise the product is not as simple a proposition as it sounds. True, even when making expensive purchases, consumers often make an emotional choice. Thus, to appeal to the seat of emotion rather than reason — or to appeal to both — marketing professionals usually mix and try out, according to the situation, three broad techniques or strategies, *viz.* (a) combined hard-soft-selling, (b) subliminal selling and (c) semiotics selling.

There are a number of products whose success in the marketplace is attributed to marketers adopting these techniques either individually or in combination. However, none of these techniques is entirely new to marketing professionals. But, like fashions, they come into and go out of vogue depending on the intensity of sectoral competition within the marketplace.

The hard-soft-selling technique of product marketing is fairly widely practised currently, particularly since marketers are finding it hard to discover unique selling propositions which are truly unique in the context of the contemporary competitive marketing scene. This technique is used to promote a wide range of products, some of which have been in the market for some time, as well as new introductions.

In the toilet soaps segment of the market there are nearly 30 different brands today shouting for the consumers' attention, and the range is still expanding. In their promotion, the traditional hard-sell, ingredient-oriented marketing technique has been replaced almost entirely by hard-soft-sell. Even the managers of airlines such as KLM, British Airways, Air-India and Singapore Airlines, among others, have almost wholly switched over to the hard-soft-sell approach, abandoning both the purely hard-sell as well as the purely emotional techniques utilised a few years ago.

Subliminal selling, as is well known, was popularised the world over by international liquor brands such as Campari, Cinzano, Chivas Regal and Johnny Walker. This is because all over the world, advertising for liquor has been looked upon as unnecessary. So, for promoting liquor brands, the subliminal approach was the only option for manufacturers. Today, this is happening in India as well, with brands of whisky (Bagpiper, McDowells), beer and even some sodas.

Motorbikes and other automotive two-wheelers, in a market which has seen an incredible boom in the past couple of years, also provide an example of how subliminal advertising works. Manufacturers of brands such as Ind-Suzuki, Sportif, Hero Honda and others are using appeals which are linked with power and sex — and this strategy has done a lot of good to their sales figures.

VITAL ROLE

The use of semiotics or visuals in advertising also seems to have become a sophisticated exercise in latter day marketing. The use of signs, symbols and visuals, even though very basic in selling and communication, has emerged as a science in its own right. Here, the science of psychology has a vital role to play in triggering associations, emotions and personifications in the advertising and promotion of brands.

In the Indian marketplace there are a large number of products advertised with the effective use of semiotics. Noteworthy examples of product promotions using associations are Orson television sets showing the Japanese sun, and Gwalior and Dinesh suitings using sports celebrities such as Pataudi and Sunil Gavaskar. All these products build a positive image through the medium of association. Nutramul's concept of the Nutramul Dada and VIP's Nawab brand of vests which associates itself with wrestler Dara Singh to connote its strength and durability, are also examples of the effective personification of brand properties.

Other manufacturers of well-known brands have also successfully combined all the three techniques mentioned above to market and advertise their products. Zodiac, for instance, has used hard-soft-sell, subliminal, and semiotic marketing techniques simultaneously. Its slogan, "Zodiac confidence. Because fashions come and go, but classics go on forever," is supported by a strong visual in every advertisement. In addition, Zodiac has used its popular Zodiac Man mneumonic to advantage.

For achieving quick success in the marketplace, irrespective of the product segment within which they operate, marketers are becoming committed to the 'modern marketing' concept. This concept has been best defined as "providing complete satisfaction to consumers at all levels and at all stages, in the process of offering a product or service to them." Reaching out to consumers and satisfying their only too human emotional needs has been, and will continue to be, one such powerful technique of marketing consumer products.

The challenge before contemporary marketers is how to effectively incorporate appeals to emotion in their short-term and long-term marketing strategies.

Valuable compendium

INDIA'S INDUSTRIALISTS, Vol. I
By Gita Piramal and Margaret Herdeck.
(Three Continents Press, pp.467, Rs. 250)*

Indian industrialists come in all shapes and hues, from all kinds of backgrounds, and traverse varied routes to attain success. In *India's Industrialists, Vol. I*, Gita Piramal and Margaret Herdeck present readable thumb-nail sketches of 13 top industrial 'houses,' the families which promoted and built them, their founding fathers and the men and women who have succeeded them, the dreams that shaped them and the reality against which they had to battle in order to carve out a more or less impressive niche for themselves in the landscape of Indian industry.

The book is written with the western reader in mind and consequently much of the information in it may be common knowledge for Indians.

The business families and the industrial houses that they have promoted and that are profiled in the book are: the Ambanis, Bajajs, Birlas, Goenkas, Kirloskars, Mafatlals, Mahindras, Modis, Oberois, Tatas, Thapars, TTK and Walchands. Twenty-three more industrial families are scheduled to be portrayed in two forthcoming volumes. This should provide an overview of an interesting cross-section of India's industrial houses, as well as interesting case studies for aspiring entrepreneurs.

In such short sketches, however, the analysis is inevitably superficial. Also, the explanations offered by the industrialists interviewed have apparently been taken at their face value.

SPECTACULAR STORY

Take the case of Dhirubhai Ambani, the most spectacular rags-to-riches story, which most entrepreneurs would like to emulate. Ambani was a small time trader who started out as an exporter of nylon and other yarns. He used the government's export promotion scheme—under which imports of nylon fibre (which used to sell at premiums of up to 700%) were permitted against exports of rayon fabrics—to amass a small fortune. Ambani exported high quality rayon cheaply, often at a loss, in order to import nylon fibre, which was then sold in the Indian market at a fantastic premium. This more than offset his earlier losses.

The authors argue that Ambani's established competitors lacked the imagination to operate in the same way, and thus let him steal a march over them. Beyond this statement, Piramal and Herdeck do not go into any analysis of the facts and figures involved, which may have given the reader a clearer picture of Ambani's early operations.

After Ambani got into the business of manufacturing textiles, the government promoted another scheme permitting "the import of polyester filament yarn against the export of 'art silks' (mainly rayon fabrics)." Naturally, Ambani cashed in on this opportunity as well.



Why didn't the others, who could not have been slow in learning from Ambani himself? This question, too, is not answered. "Some saw the deft hand of Dhirubhai (Ambani) in the promotion of the scheme itself," say the authors. But they do not go on to investigate the truth of the claim. Again, the indigenous reader is likely to feel somewhat disappointed because of this lack of detail. But, to be fair, given the broad sweep of Piramal and Herdeck's canvas, such detail may have been impossible to incorporate within the limits of a three volume study.

However, although Piramal and Herdeck do not provide an in-depth analysis of the workings of Indian industry, they do provide an overview of the psychology of the Indian businessman, of how he has assimilated modernity into his traditional upbringing, and in the process has fashioned India's own peculiar business ethos.

The book also demonstrates that Indian industrialists cannot be easily categorised into stereotypes. They can be imaginative, innovative in surprising ways, ambitious, ruthless as well as humane when it suits them. They create their own reality and their own mythology. Many of the large industrial houses have consciously or unconsciously created their own image in the public eye. Though the authors seldom question the veracity of the image projected, they do bring out vividly how the public views the industrialists. Thus Ambani is described as "a human dynamo who, instead of fighting a byzantine system of controls, perfected his knowledge and use of them to build a synthetic textile empire in less than two decades—one which exceeds the efficiencies of similar American and Japanese efforts, as they themselves admit."

Jamnalal Bajaj emerges as a Gandhian who was also a glutton for work. When he died, "Gandhi had to appoint a small army of people to carry on the work Bajaj had undertaken singlehandedly." Piramal and Herdeck do not, however, examine the contradiction between Gandhi's economic views and Bajaj's promotion of large-scale capital intensive enterprises.

ECONOMIC INDEPENDENCE

So also G.D. Birla, Gandhi's "unofficial ambassador-at-large," may not have been able to promote Gandhian ideas, but apparently that does not matter for, "by producing a plethora of goods from cars, aluminium and cement to cheap cottons for the masses, the Birlas have made a dent towards achieving complete economic independence for India."

But in the final analysis, the focus on personalities, however towering, results in a down-playing of the environment, which in many instances may have played a more important role in determining success or failure. Yet, there is little doubt that Piramal and Herdeck have done an invaluable service to both overseas and Indian readers in providing a brief and concise history and biography of the men who laid the foundations of Indian industry, and by providing brief profiles of those who have donned their mantles.

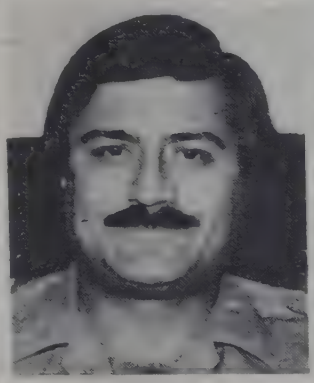
The book, despite its lack of detail, is a valuable compendium of Indian business history, and should form a part of every business executive and entrepreneur's library.

Luis S.R. Vas

* *A new revised edition of the book will be available at India Book House beginning end April 1986.*

Products & processes

RANJIT HIRA



As a consequence of the relaxation of the listing rules of the stock exchanges recently, tens of thousands of soundly managed private sector companies in India can now go public, even with equity issues of less than Rs. 1 crore. New diversification ideas and projects are urgently required by these and other companies which have ambitious growth and expansion plans. One solution is offered by a Swiss organisation which offers readymade business collaborations with scores of leading medium-sized Swiss companies which are, in some cases, ready to enter into buy-back arrangements as also to offer equity participation to suitable business partners in developing countries.

40,000 TYPES OF TRANSFORMERS

Technology For The People (TFTP), Switzerland represents a small but dynamic Swiss firm, which in the past 23 years has developed an excellent reputation for the manufacture of top quality transformers in the mini to medium range for use in electronic circuits, printed circuit boards, machine control units (i.e. in textile units, chemical plants, etc.), telecommunications equipment, voltage regulators, etc. This company is particularly well known for its versatility in both design and manufacturing knowhow and its unique production techniques which enable it to turn out 40,000 different types of single and triple phase transformers — all specially made to suit the customer's individual requirements, from a single piece to batches of 5,000 or more. The manufacture of mini to medium-sized transformers is one of the cornerstones of the entire electronics industry worldwide.

This particular manufacturer has evolved an unusually enlightened business approach. Even in an advanced country such as Switzerland, the manufacture of transformers is a very labour-intensive industry with as much as 70% of the manufacturing cost allocated to labour and relatively much less to raw materials. This makes this type of industry ideally suited for developing countries. Keeping this in mind, the manufacturer is actively looking for capable business partners in developing countries for the purpose of entering into collaborations on a buy-back basis for supply to other countries in the world, apart from catering to domestic markets also.

The company is willing to transfer all the knowhow required to set up a top quality manufacturing facility to produce single-phase transformers ranging from 0.4 Va. up to 11,500 Va., and three-phase transformers ranging from 4 Va. to 14,300 Va. Thorough training can be provided to the collaborator's technicians in Switzerland. Assistance can also be provided to locate used but serviceable production equipment, in order to keep start-up costs to a minimum. Modest equity participation is also possible on a case-by-case basis.

COMPACT PLANT KITS

Also represented by TFTP is another Swiss company which claims to have pioneered and perfected the concept of compact plant kits, which contain all the equipment required for establishing small, profitable manufacturing units immediately. Two of their most popular plant kits are for the production of high grade welding electrodes and a range of kitchen and cooking utensils made of aluminium.

This company has already introduced its kits successfully in a number of developing countries. Its machinery has provided trouble-free operations — with a minimum of maintenance — for a number of years. The kits can also be expanded on a modular basis to increase production. If some of the manufacturing equipment can be made locally, the company will be glad to cooperate. The company will also help in equipment installation and provide on-site technical and quality control assistance, start-up assistance, etc. Extensive prior technical experience is not essential on the part of prospective business partners. Sound business experience is, however, essential. A thorough market analysis of the products currently available, their quality specifications and price range is also essential. This company is ready to consider equity participation as well.

IMPREGNATING & LAMINATING MACHINES

TFTP represents yet another Swiss manufacturer whose founder and chief executive over the last 20 years has developed, manufactured and installed numerous state-of-the-art machines and plants for manufacturing printed circuit boards, standard laminates, electrical insulating materials, impregnating and lacquering machines for the decorative industry, laminating and finishing machines for the paper and cardboard industry, and solder levelling machines and related processes.

The design and manufacturing skills offered by this company are among the most technically advanced in the world and are protected by over a 100 different patents worldwide. In some special fields the company has a global market share of nearly 80%-90% due to the technological advances it has achieved.

This is a very dynamic company which has the capacity to maintain its position at the cutting edge of technology in its chosen fields and continuously develop new concepts to maintain its technological leadership in the future. Suitable business collaborators are being actively sought by this company throughout the world. Only prospective collaborators who can demonstrate a similar determination to attain technical excellence, achievement and market leadership need apply.

NEW PROCESS FOR JAMS & JELLIES

The Central Food Technical Research Institute of India, Mysore has developed a simple one-step continuous process for making jams and jellies which ensures a higher yield and better quality. The product is withdrawn from the production system continuously and filled in suitable containers. The process has been formulated for up to 4 tonne per day capacity plants and is economical in terms of energy consumption and labour costs.

So far the production of jams and jellies has been very cumbersome, involving various labour-intensive and fuel consuming processes such as selection of fruits, peeling, cutting, pulping, mixing, homogenising, evaporating and packing.

Enquiries: Applied Technologies
C/o. BusinessWorld, 145 Atlanta,
209 Ceremonial Boulevard,
Nariman Point, Bombay-400 021.

The Maldives: a proximate paradise



Maldivian islands in crystal clear waters: off beat option

For most Indians the first choice when the opportunity for travelling abroad presented itself hitherto, were the tourist spots of the West. For a citizenry battling for survival within an environment characterised as "functioning anarchy" by the American economist John Kenneth Galbraith, the well managed societies of the affluent West with their efficient tourism industries offered peace, quiet and relaxation. Besides, until recently the tourism infrastructures of neighbouring countries were as under-developed as India's and thus they were not a great draw for Indian tourists.

But western inflation and the modernisation of the tourism infrastructures of neighbouring countries are latter day developments which have diminished the lure of the West and enhanced the attractions of more proximate holiday havens. In addition, a whole new class of tourists—constituted in the main by business and other professionals who value their leisure—has emerged within the Indian milieu. A class which works uncharacteristically hard and values the quality of its leisure, it is as unenamoured of western inflation as it is of the glass and concrete shopping plazas of the orient.

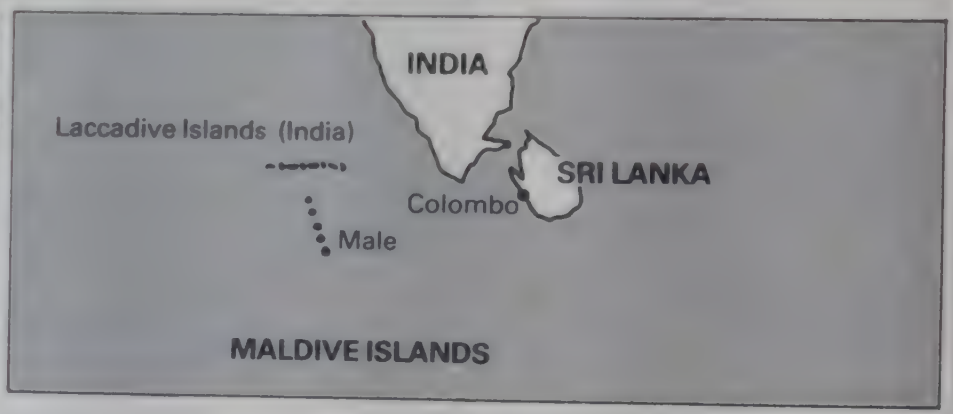
For this class of professionals and for others who look upon it as a peer group, in the leisure and travel section of *BusinessWorld* we have been providing detailed information relating to several offbeat holiday options. Among them: Tiger Tops Jungle Lodge, Nepal (*BW* April 13-26, 1984); Ladakh Sarai (*BW* April 1-14, 1985); and Kabini River Lodge (*BW* November 25-December 8, 1985). To this list add the Biya Doo and Villi Varu island resorts in the neighbouring Republic of the Maldives.

The independent and sovereign Republic of the Maldives consists of 1,190 tiny islands, the longest of which is a mere 4.5 miles (7.25 km) long and about half as wide. These islands, most of which are less than 2 km in length, are grouped into 19 atoll (a word derived from the national language Dhivehi, which means a ring shaped coral island with a reef surrounding a lagoon) groups for administrative purposes. Of these 1,190 tiny islands, most of which a visitor can traverse in 10 minutes, only 219 are inhabited by the 1.5 lakh strong population of the republic. The northernmost island on this archipelago, whose length extends for 764 km and width between the widest point is 128 km, is a mere 595 km as the jet flies from India—its closest neighbour.

STRING OF ISLANDS

According to the lavishly illustrated *Maldives: A Nation of Islands* published by the Bangkok-based publishing firm Media Transasia in 1983, the republic's string of 1,190 islands are formed by coral layers rising sharply from a plateau submerged beneath the Indian ocean. "The water table is naturally high in all the islands and some have small freshwater lakes. All the older islands, where a layer of soil has formed on top of the coral base from accumulated animal and vegetable matter through the millenia, are covered with tropical vegetation, typically coconut trees towering above dense shrubs," says the (anonymous) author of *Maldives: A Nation of Islands*.

Whatever the theory of atoll formation—the formations in the Maldives were acknowledged by scientist Charles Darwin to be an exception to his general theory of atoll formation—there is no gainsaying that from the air the atolls





Biya Doo as seen from Villi Varu: idyllic package

present a spectacular sight. The Maldives international airport on the island of Hulule, directly adjacent to the Maldivian capital of Male, is a mere 40 minute flight from Trivandrum. The last 10 minutes of the flight is over numerous emergent and emerging atolls surrounded by two distinct seas of light green and dark blue. Indian Airlines operates two return flights per week between Trivandrum and Male at a reasonable price (Rs. 1,144 return).

Of particular interest to potential Indian visitors, especially those interested in a resort holiday, is likely to be the news that the well-known Tata managed Indian Hotels Co. Ltd. (sales: Rs. 64.61 crores in 1985), the parent of the Taj chain of upmarket hotels in India, manages two resorts in the Maldives. And at its well managed resort islands of Biya Doo and Villi Varu, the Taj group offers an idyllic holiday package at a reasonable price.

The two resorts constructed by the Madras-based Oriental Hotels Ltd., and managed in collaboration with the Taj group (the two companies also manage the Taj Coromandel, Madras), have quickly acquired an excellent reputation since they opened their doors for business in 1981. "The two resorts offer the best accommodation, food and service in the Maldives. This opinion is endorsed by the well-known travel writer Rene Leclere who has included these resorts in his list of the world's 300 best hotels. Though thus far 75% of our guests have been from western Europe and the remainder from Japan and Australia, an increasing number of Indian tourists are trickling into these resorts," says Leslie Pereira (33), the Bombay-based manager (tours) of Indian Hotels.

Getting there. The most convenient option is to take an Indian Airlines flight out of the chaotically managed Trivandrum international airport, where it is advisable to arrive well in time. Indian Airlines operates two flights per week (Mondays and Thursdays) from Trivandrum to Male at a fare of Rs. 1,144 return. Another option is to take a flight from Madras to Male via Colombo. Air Lanka operates daily return flights from Colombo to Male (Rs. 2,196). From Hulule airport, Taj boats ferry guests 27 km out into the ocean—a ride which takes two hours.

Immigration. The procedures and policies are irksome. Immigration staff at Male are very young and slow. Besides, Indian tourists are likely to have to undergo a blood test for malaria. This means suffering a pricked forefinger. The Maldives is a staunchly Islamic republic. Liquor is confiscated, but returned when leaving. Fortunately it is available in the resort hotels, but at indigenous 5-star prices.

Taj Holiday Package. The Taj group manages two island resorts in the Maldives—Biya Doo and Villi Varu. Of the two, Biya Doo, which offers centralised air-conditioning, is more expensive with

The price tag

■ The season

The island resorts are open throughout the year and temperatures are virtually constant between 30°C-32°C. However, the Taj group's Maldives holiday package rates (details of which are given below) are operative between 15th April and 15th December.

■ Getting there

The only passenger services to the Maldives are provided by air. The most convenient flights are from Trivandrum to Male (Mondays & Thursdays) on the Indian Airlines network.

Air Lanka offers a daily flight from Colombo to Male.

Trivandrum-Male (return): Rs. 1,144

Colombo-Male (return): Rs. 2,196

■ Accommodation & tariffs

Twin sharing accommodation and full board for two:	Biya Doo	Villi Varu
	5 days/ 4 nights	7 days/ 6 nights
	US $300	US $350

The package is extendable on a pro rata basis and includes breakfast, lunch and dinner, bed tax, airport hotel transfers, and a free trip to Male.

■ Watersports

The resorts offer excellent facilities for watersports. Equipment is available on hire and expert instruction is available at a price. For example, a mask, snorkel and fins can be hired cheaply ($2 per day). Other facilities: diving course for beginners ($105); 10 hours wind surfing ($50); 10 boat trips ($50); 10 submarine dives with all equipment ($162).

■ Excursions

A large number of optional excursions are available to visitors. Among them: night fishing ($8); fishermen's village excursion ($6); barbecue picnic on an uninhabited island and visit to a resort ($18); and sail boat hire for 4 hours ($21).



Residential rooms at Villi Varu. Inset: Rambhunjan

a 5 days/4 nights holiday for two (all major meals included) priced at US $300. On the other hand, a longer 7 days/6 nights holiday for two at Villi Varu (where window air-conditioning is an optional extra) costs only 15% more—US $350.

For Indian tourists who are not excessively partial to the dubious virtues of centralised air-conditioning, the Villi Varu option is a better bet. Not only are temperatures—which vary between 30°C-32°C—on both islands pleasantly tolerable during the day, but the evening breezes are also cool. The ceiling fans provided in all the 60 rooms at Villi Varu are sufficient. Villi Varu, spread over 12 acres, also offers the advantage of ground-floor accommodation, whereas the larger (25 acre) Biya Doo resort (96 rooms) offers rooms on the ground and upper floor levels.

The residential accommodation offered at both resorts is functionally efficient. The twin-bedded rooms—larger three and four-bedded rooms are also available at Biya Doo—are large and comfortable. In addition, both offer perquisites which Taj group managers claim are not offered by other resorts in the Maldives: a mini fridge in each room and, most importantly, hot and cold fresh water in the rooms. According to them, most resort hotels in the Maldives pipe sea water into rooms for washing and bathing.

"We offer a Robinson Crusoe type of holiday with basic amenities such as hot fresh water, which is not available in any other resort in the Maldives. The food is mainly continental, but varied and suitable for the Indian palate. We also offer the choice of Indian cuisine including vegetarian dishes if required. This is a holiday for people and families to be with themselves and to commune with nature. Apart from facilities for watersports, there is no laid-on entertainment. The entertainment that the Maldives offers is natural and mainly under the water," says John R. Rambhunjan (41), an arts graduate of Bombay university who joined the Indian Hotels Co. in 1968 and who is currently the manager of the two resorts which are located within a 10 minute boat ride of each other.

Climate. Villi Varu and Biya Doo enjoy equable weather throughout the year with day time temperatures varying between 30°C-32°C. Evening temperatures are lower. The Maldives, alas, experience the impact of either the north-east or the south-west monsoons throughout the year. But the rainfall is scanty, averaging a mere 29 cm per year and the sky clears up amazingly quickly after a drizzle.

Watersports. The main attraction or the unique selling proposition of the Maldives which opened itself up for international tourism only in the mid-seventies, is the facilities it offers for watersports and submarine exploration. The coral reefs which encircle the island are rich with marine life, particularly exquisitely

VFB
VULCANISED FIBRE BOARDS AVAILABLE EX-STOCK

Available in thickness range from 0.4 mm to 25.4 mm

Sheet size 72" x 48"

Contact sole selling agents of India to book your orders for an early delivery.

RAM TRADING CO.
(An enterprise of
J. Khushaldas & Co.)
77/83, NAGDEVI STREET,
BOMBAY 400 003
TEL: 324312 • 329513
TELEX: 011-76819 JKCO-IN
GRAM: JEKHUSHAL

THE NEW NAME IN HIGH QUALITY VULCANISED FIBRE BOARDS.

SEAGULL/146/86

coloured tropical fish. Indeed, Solomon in all his glory was not arrayed like one of these. A visitor to the islands is likely to spend many hours in a snorkel and flippers, gazing at the beauty of nature's last frontier: the submarine world.

And to facilitate visitors' exploration of this last frontier, the Taj management has made comprehensive arrangements with Nautico Watersport—a West German leisure company which is a familiar name in marinas the world over—to lease equipment and provide instruction to watersport enthusiasts.

The charges for hiring watersport equipment range from the modest to expensive. For example, the charges for hiring a mask, snorkel and fins—all that is needed to obtain an introduction to the serene beauty of the world of fantasy beneath the waves—is a mere $2 per day. Waterskiing with instructions for beginners costs $6 per round and a deep-sea diving course for beginners with instruction provided by teachers with powers of certification, is priced at $105.

Such optional facilities are augmented by excursion options which, too, are modestly priced. A night fishing excursion from 5.30 pm to 8 pm (line, hooks and bait provided) is priced at $8 and a sailing boat ride of four hours duration costs a complement of five passengers $25. "The holiday packages we offer to Indian tourists are synchronised with Indian Airlines' weekly schedule and also the Reserve Bank's NTS and FTS schemes. In my opinion a holiday at Biya Doo or Villi Varu is the only one of its kind in the world," says Rambhunjan.



In the shallows of Villi Varu: for children a wonderful experience

Indigenous visitors who have discovered the charms of these island resorts tend to endorse Rambhunjun's assessment of their charms. "For those who love the sea and watersports, Villi Varu offers an ideal holiday. Though I am a vegetarian, the food was good and the accommodation was very comfortable. My stay at the resort was very relaxing," says Shashank Lalchand (43), proprietor of the S.L. Recording Studio, Bombay who holidayed at Villi Varu in September last year.

Windsurfing off Biya Doo: comprehensive arrangements



SPECTACULAR VISTAS

Nina Kilachand (w/o. Rajen Kilachand, chief executive of Dodsal Pvt. Ltd.) together with an aunt and three children, spent a week in Biya Doo last November. She has no hesitation in recommending the resort to the like-minded. "We had an absolutely fabulous holiday at Biya Doo. The residential accommodation is comfortable and offers all the mod cons. The cuisine is excellent and the staff very efficient and friendly. The island is fronted by a superb submarine reef which offers spectacular vistas of the colourful life beneath the waves and watersports facilities are excellent. The area is wholly unpolluted and is isolated enough to guarantee the recession of businessmen's worries. For children in particular it is a wonderful experience," says Kilachand.

Indeed, superlatives come quite easily to visitors to the Taj group's island resorts in the Maldives. And fortunately this vista of nature's prodigal submarine bounty is available on India's doorstep and at prices that make sense of the Reserve Bank of India's questionable generosity.

Dilip Thakore

BusinessWorld
April 14—27, 1986

New challenges in the leasing industry

By V.A. ACHARYA

From barely two or three in the late seventies, the number of leasing companies has grown to over three hundred. With competition intensifying and lease rentals plunging, a large number of leasing companies are resorting to questionable accounting and business development practices. Yet the big question is whether the large number of new entrants into this line of business can survive the heat of no-hold-barred competition.

"Largest leasing company by Reliance group," screamed the headlines of a news report in a Bombay-based daily in early March. This rather abrupt announcement by Dhirubhai Ambani — the go-getting chief executive of Reliance Industries Ltd. (sales: Rs. 607.40 crores in the year ended 31st December 1984), which is the fastest fast growth company in India's industrial history — to promote the largest ever leasing company in the country with a whopping authorised capital of Rs. 125 crores, has understandably created a flutter within the fast-track indigenous leasing industry. Reliance's diversification into the leasing business, which is an indication of the powerful attraction of this relatively new variant of merchant banking, is however likely to pose not a few problems for the numerous newly incorporated companies which have jumped on the fast rolling leasing bandwagon.

From barely two or three in the late seventies, the number of companies offering lease finance has burgeoned to as many as 300-odd companies now. And many newly promoted leasing companies are waiting in the queue of enterprises going public. With the tempo of investment within the economy quickening, leasing companies are experiencing boom times despite the intensifying competition within the industry.

This is evident in the rapid growth of the aggregate value of assets leased to Indian industry, which has shot up by 100% in just over three years, from Rs. 75 crores in 1983 to Rs. 150 crores in 1985. This is further expected to cross the Rs. 250 crore mark in 1986. This is just a flea bite compared to the value of annual investment in industry which was estimated at Rs. 12,823 crores in 1984-85. Hence the stampede to enter the leasing business, the American counterpart of which finances the acquisition of up to 29% of the assets acquired by American industry.

"Today, companies have the option of raising finance for growth and expansion through various innovative financial instruments such as convertible debentures, company deposits,





Kerkar: unique attraction

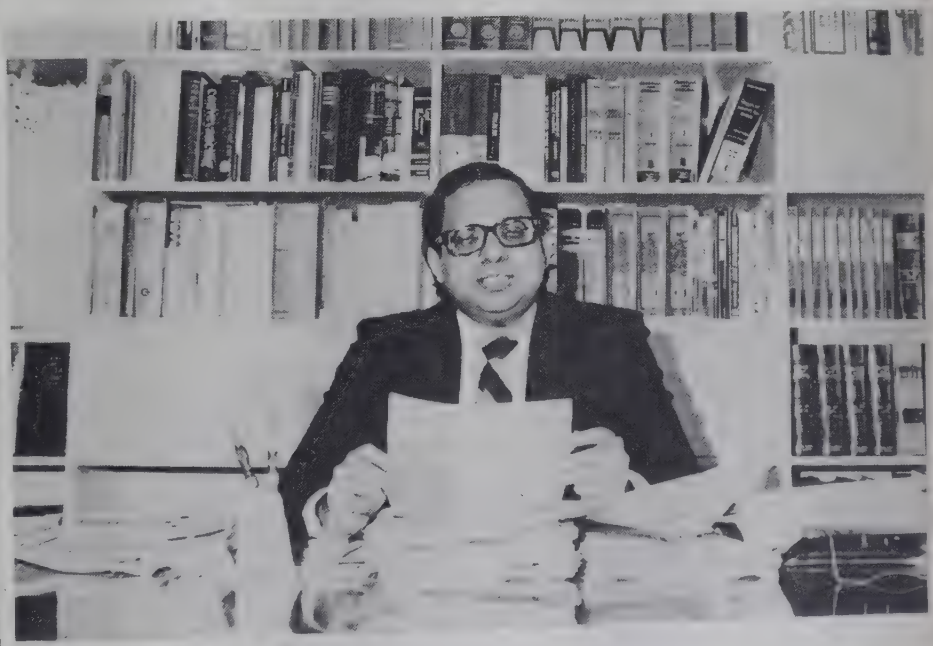
bonds, etc., to mop up public savings. However, the option to lease equipment is a uniquely attractive proposition for industry. Leasing not only offers several tax advantages, but also enables companies to obtain 100% financing on most flexible terms and at a relatively cheaper cost," says S.A. Kerkar (34), a chemical engineer from IIT-Madras and a management graduate of the Jamnalal Bajaj Institute, who is the deputy manager of the leasing division of the Industrial Credit & Investment Corporation of India (ICICI). In the year ended 31st December 1985, ICICI's leasing business turnover aggregated to Rs. 34 crores.

Among the numerous benefits that the exercise of the leasing option confers on a lessee, Kerkar cites rental profiles to suit the cash flow and tax requirements of a lessee. "In addition, for equipment for which a high rate of depreciation is permissible, the leasing option offers several advantages. For a start, the lease rental is likely to be 2%-3% lower than the cost of a loan. And in relation to an item such as a sophisticated energy saving boiler in which 100% depreciation is available in the first year, the leasing option is very useful. A huge allocation to depreciation is likely to make it very difficult for a company to pay a dividend. In such cases, it makes much more sense for a company to lease such equipment than buy it," says Kerkar.

These advantages which the exercise of the leasing option (*cf.* the purchase of plant and equipment) confers on a lessee apart, the primary cause of the fast growth of the leasing business is to be found in the direct tax laws structure of this country. "The primary attraction of the leasing option is that the total lease rent payable by a lessee as capital and interest is a deductible expenditure for income tax assessment purposes. Secondly, leasing agreements offer an inherent structural flexibility which a bank or institutional loan is unlikely to offer. Depending upon the tax profile of a company, the rental could be higher or lower in the initial years, which would also offer the advantage of facilitating the payment of the lease rent," says H.P. Ranina (39), the well-known tax expert, who is also the chairman of Mazda Leasing Ltd., a Bombay-based company which earned a lease rental income of Rs. 66 lakhs in the year ended 30th June 1985.

ENHANCED ATTRACTIONS

These advantages which the leasing option offers (typically, the entire value of leased equipment plus interest is normally recovered within a five year period) apart, the attractions of the leasing option are likely to be enhanced with the abolition of the investment allowance and therefore of the tax deduction on it with effect from 1st April 1987.



Ranina: direct tax laws linkage

Despite the pleas of the captains of industry and spokesmen of the stock exchanges, Union finance minister V.P. Singh has reiterated his intention of abolishing the investment allowance provision, even while permitting larger depreciation write offs.

"Hitherto, with the benefit of investment allowance, 58% of the value of a purchased asset was permitted to be written off in the first year — 25% as investment allowance and 33% as depreciation. But now with the abolition of investment allowance, only 33% of a purchased asset will be permitted to be written off. On the other hand, the value of a leased asset could be written off within any agreed period, with the rental to be adjusted accordingly. As against this, even under the written down value method, it would take at least eight years to write off the cost of a purchased asset," adds Ranina.

But not the least of the attractions of the leasing option in the paper shuffling and highly bureaucratised indigenous business environment is the savings in time which leasing companies offer in providing finance. "Not being subject to the cumbersome licensing procedures of the Central government, the procedures which have evolved in the leasing business are very simple. It is not unusual for a leasing agreement to be finalised within a day, whereas the process of obtaining a loan from the nationalised banks or term lending institutions could vary between three to six months," says a leasing company executive who requested anonymity.

Nor have managers in Indian industry been slow to appreciate the numerous benefits that accrue to a company exercising the leasing option. The aggregate value of assets leased by Indian leasing companies is estimated at Rs. 600 crores. Though an unimpressive figure, it should be borne in mind that most leasing companies do not finance the lease purchase of land and buildings on which permissible depreciation deductions are low. In addition, it should also be borne in mind that most leasing companies have small capital bases of up to Rs. 1.5 crores.

BusinessWorld
April 14—27, 1986



Ahuja: "most unhealthy competition bereft of all professional norms and ethics"

These factors, coupled with the fact that leasing is a relatively new business, indicate that its growth has not been unimpressive. But the clinching statistic is that the number of companies offering lease finance to industry has risen from a mere two in 1980 to an estimated 300 currently. Quite clearly, their promoters believe that managers in industry are appreciative of the virtues of the leasing option.

Yet the imminent crunch in the leasing industry is not unconnected with the fact that almost all the 300-odd leasing companies are scrambling to tie up agreements with blue-chip companies whose balance sheets indicate impressive net worth and debt-equity figures. Not surprisingly, for such financially solid companies the leasing option is attractive for reasons of tax planning rather than capital mobilisation.

BIG DEALS

Comments Ross Deas (49), the ambitious chairman of "the fastest growing blue-chip leasing company" — Ross Murarka Finance Ltd. (RMF — aggregate value of assets leased: Rs. 9.6 crores in the year ended 30th June 1985): "I am only interested in big deals with companies which have a minimum turnover of Rs. 1 crore and which have a good dividend payment record. Though this particular market segment is small, it is one of the safest and most profitable areas of business."

For RMF this strategy has paid off, says Deas, pointing out that his client portfolio includes blue-chip names such as ITC, Dunlop, Macneil & Magor, and Spencer & Co.

Yet the population explosion within the leasing industry, which has witnessed the entry of almost two companies per week into this line of business, has intensified competitive pressures. With the vast majority of leasing companies scrambling to grab only the big deals, lease rentals have plunged from a range of Rs. 25-30 per month per Rs. 1,000 to Rs. 17-18 with a subsequent fall in return on capital from 32%-36% to just 20%-21% over the last three years.

"Competition is welcome as much as it is inevitable for any new and growing industry. Yet, what we are witnessing in the leasing industry is the most unhealthy competition, bereft of all professional norms and ethics," comments Dev Ahuja (46), chairman and managing director of the Bombay-based 20th Century Leasing Ltd. (aggregate value of assets leased: Rs. 16.46 crores in the year ended 30th November 1985).

Ahuja's ill-concealed objection to the goings-on in the apparently booming leasing business is mainly concentrated around the fact that a large number of entrepreneurs with questionable track records and even more questionable motives have entered the leasing industry in recent times. In the absence of any well-defined rules, regulations and conventions governing the promotion and management of leasing companies, Ahuja fears that there is trouble in store for a large number of investors who have subscribed to the corporate paper of leasing companies.

"There are just too many leasing companies chasing after investors' money currently, particularly at a time when codes and conventions have not evolved within the industry. It is pertinent to bear in mind the history of a large number of hire-purchase companies which sprang up in the mid-sixties and vanished in

Leasing lexicon

In dealing with leasing companies, corporate executives not infrequently run aground on the shoals of specialised terminology and buzzwords that are staple within the leasing business. Given below is a lexicon of leasing terminology for the uninitiated.

Lessee. A client of a leasing company who acquires the right to use an asset for a specified period of time without the title of ownership in exchange for periodical monetary consideration termed lease rentals.

Lessor. A leasing company which allows its assets to be used by a lessee for a specified period of time in consideration of receiving lease rentals. While an asset is on lease, the lessor retains the title or ownership of the assets leased.

Lease rentals. Periodical payments made by a lessee to the lessor for the use of assets. It incorporates the components of interest charges, depreciation and the actual cost of an asset.

Financial lease. A type of lease in which a lessee contracts to use a leased asset for a period of time which extends the lifetime of the asset and to also bear the costs of maintenance and incidental indirect taxes that may be levied on the asset without acquiring the legal title of ownership.

Operating lease. Also known as a short-term or maintenance lease, this is a contractual agreement in which the lessee agrees to lease an asset for a specified period of time, while the responsibility for maintenance of the asset, cost of insurance and other related expenses are borne by the lessor. Operating lease agreements are preferred when the equipment that is leased is prone to rapid obsolescence or where a lessee requires the asset only for a brief period of time to meet a specific and

moke, leaving investors an estimated Rs. 700 crores poorer. Subsequently, the ames Raj Committee was set up to de- ise a code for hire-purchase companies. don't think the government should wait ntil a debacle occurs to draw up a code or the leasing industry. Entry into this ndustry needs to be regulated and a ode of ethics and conduct also needs to e drawn up. There are already an un-

ransient need.

Leveraged lease. A type of lease agreement wherein two or more lessors jointly execute a lease contract, involving assets which require a heavy capital outlay. Typically, in a leveraged lease agreement, a consortium of lessors contributes more than 50% of the cost of the asset, the balance being raised through mortgages of the asset to financial institutions and banks.

Written down value (WDV). This is the depreciation adjusted value of an asset in the book of accounts of a company as on a particular date.

Straight line method (SLM). A method of depreciation accounting whereby the total cost of an asset is amortised over its economic lifetime.

Bill discounting. A method of obtaining finance from banks on security of trade bills, wherein the banker deducts interest for the unexpired period from the face value of the bill and credits the balance in favour of the borrower.

Lease. An agreement whereby the lessor conveys to the lessee in return for rent the right to use an asset for an agreed period of time.

Investment allowance. A legislative provision under which the owner of an asset is permitted to write off 25% over and above the depreciation write off permitted by law in the first year. With effect from 1st April 1987, investment allowance has been withdrawn and replaced with a tax deduction scheme under which if 20% of the pre-tax profit of a company is deposited with the IDBI, it will be exempt from income tax.

Lease with purchase option. This is a type of financial lease in which the lessee has an option to purchase the asset at the end of the lease term at an agreed price, based on a reasonable estimate of the residual value of the equipment.



Mehta: leasing boom blown out of proportion

comfortably large number of so-called leasing companies which are financing speculators in the stock exchanges," says Ahuja.

NOT REQUIRED

Certainly, there is some substance in the fears that Ahuja entertains. Under the rules framed by the Reserve Bank of India (RBI) for non-banking financial institutions (NBFI), which regulate leasing companies as well, complete *laissez faire* has been permitted in the matter of promoting a leasing company. True, the RBI rules stipulate the debt-equity ratios and the policies governing bank credit for leasing companies. But a licence to promote a leasing company is not required. Nor have any rules relating to the qualifications and financial standing of the promoters been prescribed.

In particular, the accounting methods adopted by the leasing companies have yet to be standardised. At present, there are two main methods of depreciation accounting followed by the leasing companies, *viz.* the straight line method (SLM) and the written down value (WDV) method, of which the latter is being more widely used. Nevertheless, sources within the leasing industry point out that malpractices in the accounting methods have painted an unduly rosy picture of the industry.

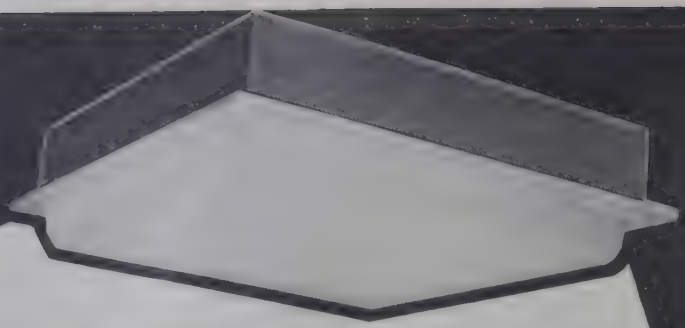
"The much publicised boom in leasing is to a large extent blown out of proportion. In fact, unhealthy accounting practices have considerably exaggerated the notions about the volume of the leasing business and the profitability of the industry," comments Homi Mehta (45), managing director of Mazda Leasing Ltd.

Though a committee appointed by the Institute of Chartered Accountants of India (ICAI) is believed to be studying this issue in depth, by and large *ad hoc* accounting systems adopted to window dress balance sheets are the rule rather than the exception. Somewhat questionably, lease rental incomes, which actually comprise three elements, *viz.* interest, depreciation set off and capital costs, are all too often clubbed in leasing companies' profit and loss accounts, with the result that many of them have been able to declare unrealistically high dividends ranging from 16% to 22%. Though such accounting practices reduce a company's ability to replace leased assets, its high dividend profile enables it to attract public subscriptions for its paper, whether equity shares or debentures.

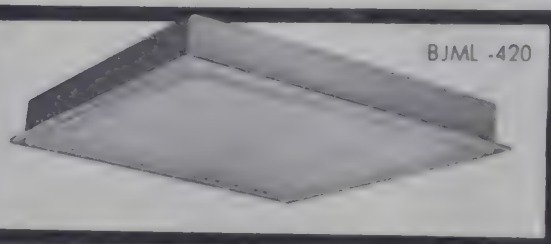
QUESTIONABLE PRACTICES

"A large number of leasing companies are taking advantage of loopholes in the law to indulge in questionable accounting practices which do not augur well for the future of this important industry. Since the major benefit that leasing companies enjoy under the law is their ability to write off depreciation, a large number of them are resorting to claiming depreciation on their hire-purchase transactions, which is illegal, and are also unnaturally shortening the life of their

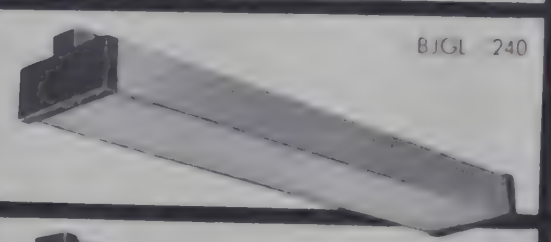
bajaj



brings you an elegant range of low-cost Decorative Luminaires.













Versatile lighting systems designed for universal indoor applications, created to harmonise with any architectural feature and interior decor in offices, banks, show rooms, etc.

Bajaj offers a total integrated lighting service from the designing to the electrification and installation of lighting fittings on a turnkey basis for any indoor/outdoor location.

For details write to:

Lighting Project Services
Bajaj Electricals Limited
45-47 Veer Nariman Road
Bombay 400 023.

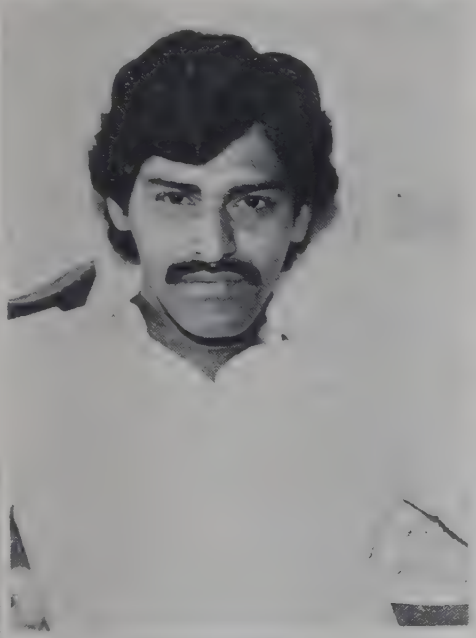
Heros' BE-778 B

bajaj

The lighting people since 1938.

leased assets to claim higher depreciation," says Abdul H. Gani (31), a lecturer in financial management at Bombay university, who has studied the *modus operandi* of the leasing industry.

In particular, Gani is sharply critical of the manner in which the managements of several front-line companies in the leasing industry are "window dressing" their balance sheets by inflating their net worth to increase their borrowal capacity. "For example, Twentieth Century Leasing has capitalised interest for the unexpired period of credit with effect



Gani: loophole advantages

from 1982-83, and First Leasing Co. with effect from 1983-84. The consequence of this unnatural inflation of assets in the long run — though in the short run it may make the balance sheets of the companies look good — is that the rate of return on investment will diminish. This in turn could cause a loss of investor and institutional confidence in a company, which could have serious adverse repercussions for a company," adds Gani.

Gani's criticism of Twentieth Century Leasing and First Leasing is backed up by Rita Vasan, writing in the *Business Standard* in its *Banking and Insurance Survey* (19th February 1986). "As regards interest, Twentieth Century and First Leasing have started capitalising it on the unexpired period of credit with effect from 1982-83 and 1983-84 respectively. While First Leasing has indicated, by way of a note to the accounts, the impact of capitalisation on the yearly charge by way of interest and depreciation and the consequent higher profits, Twentieth Century Leasing has not given adequate data on this count," comments Vasan.

The consequences of this practice could be grave, says R.C. Murthy (49), the Bombay-based bureau chief of the *Business Standard*. "As part of his budget proposals for 1986-87, the finance minister has called upon companies which have been capitalising interest, to pay tax on the excess depreciation claimed with retrospective effect from 1974. It is not clear whether Twentieth Century and First Leasing have been claiming depreciation on the unexpired period of credit for long. Even so, these companies' tax liability will increase sharply and dividend paying capacity will be adversely affected," says Murthy.

Be that as it may, the fact that even solid companies such as Twentieth Century Leasing and First Leasing have had to resort to ill-advised ways and means to boost dividend pay-outs and net worth, is indicative of the competitive pressures which have been built up in the leasing industry. With two to three companies entering the industry every week, even the front-runners within the industry are showing signs of desperation.

"In the next five to seven years, it will not be really surprising if hundreds of existing leasing companies simply die a natural death owing to the sheer erosion of capital reserves," says Ross Deas (quoted earlier), who feels that the future of leasing belongs to those who are able to combine the qualities of good business sense with professional management.

According to leasing industry insiders, the secret of success in the leasing industry requires the management of a leasing company to constantly recycle surpluses into the purchase of new capital assets, and rent them out promptly. The generation of surpluses should be possible for a leasing company without adversely affecting its profit profile, since the returns by way of depreciation and recovery of original capital cost and interest more than compensate maintenance costs.

DIMINISHING RETURNS

Yet, under the pressure of competition, most leasing companies have succumbed to the temptation of projecting high turnover and profit figures, though the rate of return on leased assets has steadily diminished. "A sound professional leasing company would always make adequate provision for depreciation of its leased assets so as to be able to replace them. Given the challenge of competition, the task before the managements of leasing companies is to cut down administrative and infrastructural costs to the minimum," says Nirmal Suchanti (46), director, Pressman Leasing Ltd. (value of assets leased in the year ended 30th September 1985: Rs. 4.91 crores).

According to Suchanti, while renting out assets valued at Rs. 4.91 crores, Pressman Leasing incurred an aggregate expenditure — including expenses incurred on lease brokerage, rent, overheads and salaries and wages — of a mere Rs. 4.77 lakhs. "Money is the raw material of the leasing business. Therefore every

Suchanti: administrative and infrastructural cost cutting challenge



BusinessWorld
April 14—27, 1986

penny saved can be directly invested in the business," says Suchanti, who describes Pressman Leasing as the "most cost-effective company" in the leasing industry in India.

Yet, even as the pressure to cut costs builds up within the industry, given the diminishing marginal utility of this managerial option, several leasing companies are spreading their risks by diversifying out of the leasing business. Consequently, among the hottest issues currently being debated in the leasing industry is in respect of what constitutes the acceptable contours of the leasing business. "There are very few leasing companies today that are committed to pure leasing operations. Most of these leasing companies have already diversified into manufacturing operations and are using leasing activity as a mere cover," complains Dev Ahuja (quoted earlier), whose 20th Century Leasing Ltd. has all along remained a purely leasing company.

OBVIOUS MISUSE

According to Ahuja, the high leverage or debt-equity ratios permitted to leasing companies have encouraged a large number of manufacturing groups to promote in-house or captive leasing companies whose *raison d'être* is the servicing of companies within the fold. "Such obvious misuse of the resource mobilisation advantages which leasing companies enjoy, in order to reduce a group's income tax liability, is likely to prompt government to crack down on the leasing industry as a whole," says Ahuja.

Quite obviously, this does not worry the managements of a number of leasing companies, including some of the best performers among them. Mazda Leasing, Ross Murarka Finance, Atash Leasing,and Standard Medical Leasing — to name a few — have already diversified into manufacturing and service-related activities apart from finance-related activities such as bill discounting, portfolio management, factoring, etc. "A well managed leasing company is one which is able to generate at least 25% of its income from its non-leasing operations. Such an income mix would not only enable a leasing company to maintain stability in its day-to-day operations but also tide it over the liquidity problems which usually arise because of long-term lease commitments," opines Ross Deas. Not surprisingly, Ross Murarka Finance has diversified into magazine publishing through the launch of the investment weekly *Money*, and of late it has also forayed into the cosmetics market.

Interestingly enough, both the puritans who argue that leasing companies should stick to their knitting and those who believe in mixing leasing and non-leasing activities — with the bias in favour of leasing — are strongly critical of those companies for whom the leasing business constitutes a mere adjunct to their manufacturing activity. According to them, a large number of the 300-odd leasing companies which have mushroomed in recent times belong to this category,identified more commonly as in-house leasing companies.

The debate about the impact of in-house leasing companies has come into sharp focus with Reliance Industries' reported proposal to promote the biggest ever in-house leasing company in the country. The proposed company, styled as Reliance Capital & Finance Trust Ltd., is expected to be promoted with a capital of Rs. 125 crores. As such it would be able to raise Rs. 1,250 crores as per the permitted 10:1 debt-equity ratio through borrowals — a prospect which sends shudders through the relatively small-time captains of the leasing in-

Common leasing fiddles

With the pressures of competition intensifying as a flood of companies enter the leasing industry, questionable accounting practices are rife within the industry. Among them:

Capitalisation of interest for the unexpired period. Interest paid and payable on funds borrowed to finance the purchase of assets are added to the cost of such assets. This accounting practice results in the inflation of the value of the assets purchased, inflation of net worth, and higher profits in the initial years because of larger depreciation write offs, but lower net profits in subsequent years. Besides, accounts of various years become inconsistent and therefore incomparable. Hitherto, until the withdrawal of the investment allowance benefits with effect from fiscal 1987-88, leasing companies used to claim higher investment allowance and tax savings by capitalising interest.

Charging extra shift depreciation. Augmenting the quantum of depreciation write offs and reducing taxable profits by charging extra shift depreciation, particularly when the asset is eligible only for single shift depreciation.

Certain leasing companies do not make sufficient provision for depreciation and repairs, especially for extra or multiple shifts. This inflates profits and net worth artificially. But with the passage of time, replacement of assets becomes increasingly difficult.

Inadequately matching costs with revenues, especially during the primary period of a lease. Lease rentals are not evenly spread over the lease period. Costs are deferred and expenses pertaining to the lease period, which are likely to be incurred, are not provided for. A common example of such practice by companies is the case of gratuity, which is charged against the profits only in the year it becomes payable.

Disguising the impact of leasing operations on a company's profitability by using the dominant leasing clause in the memorandum of association. In the absence of 'line of business' reporting (as suggested by the Sachar Committee), most leasing companies which have diversified into areas such as lending, financing, hire-purchase and even general business together with leasing, do not provide an objective report on the profitability of their leasing operations.

Negotiating higher rentals in the initial years to show a higher income in these years, which enhances dividend payouts. In this way further equity finance can be easily raised. Leasing companies have even found a way to circumvent the imminent withdrawal of investment allowance reserve. They fix the rentals at a higher level. In this way the 25% extra depreciation hitherto available, is spread over the rentals payable during the lease period.

Showing investments in subsidiaries and in other companies at cost year after year, ignoring the losses of the investee companies. Most leasing companies do not make adequate provision for erosion in the market value of their shareholdings. This enables them to project higher profits and higher book values of their investment.

Presenting assets at revised and revalued inflated figures in their balance sheets while charging depreciation on the original cost of the assets. This ingenious technique enables a company to inflate the book values of assets and profits as well.

BusinessWorld
April 14—27 1986

dustry who fear a consequent greater regulation of the industry.

Thus far, however, the government has shown no signs of introducing any legislation to regulate the leasing business. Indeed, the finance minister's insistence on abolishing the investment allowance deduction for purchases of plant and equipment hitherto granted to industry, is likely to give a boost to the leasing industry. With the total depreciation deduction on an asset reduced by 25% in the initial year, the attraction of the leasing option, which permits a 100% deduction in the first year, is likely to be even more pressing.

COLD SHOULDER

The government has also left untouched the prevailing Reserve Bank of India (RBI) rule which stipulates a 10:1 debt-equity ratio for leasing companies, and the policy guidelines governing the grant of bank credit to the leasing industry. Though nationalised banks are known to be cold shouldering leasing companies in the matter of sanctioning loans, leasing industry managers seem to have learnt the knack of mobilising household sector savings.

Yet, notwithstanding what hitherto seems to be a sympathetic attitude of the all-powerful mandarins of North Block towards the leasing industry, the latter is not without its peculiar problems. The edges of some of the basic disagreements within the industry are sharpening. These need to be reconciled without harming the long-term interest of the leasing industry as a whole.

Among one of the more urgent reforms, about which there is near unanimity within the leasing industry, is the need to evolve a standardised accounting system which could be utilised uniformly by the leasing industry. Indeed, such a standardisation would go a long way in eliminating the many other associated malpractices in the leasing industry (see box p.66). But just how soon this realisation will seep down to all levels of the leasing industry is anybody's guess.

"Leasing, which is only a form of money lending, is bound to encourage all types of *ad hoc* accounting practices for a long, long time to come," comments a sceptical banker who sees little cause for hope on this score. Yet, within the leasing industry, there is a growing even if slow realisation that since the industry depends heavily on public investment support, it needs to become more obviously accountable to the public.

Another imminent conflict within the industry which requires urgent resolution, is between leasing companies *simpliciter* and those which operate as in-house leasing companies promoted by already established parent manufacturing companies. On yet another plane, there is also a sharp conflict of interests between small and newly promoted leasing companies and those which have already established their presence in the marketplace.



Deas: medium and small sector penetration opportunities

SHARP DECLINE

The sharpening edges of competition within the industry between established leasing companies and a host of newly emergent enterprises has necessitated a painful process of reorientation, given the sharp decline in lease rentals. Big coupon lease deals have already been grabbed by established leasing companies and new entrants into the industry, who are chasing the same customers, are finding the going tough. "Most new leasing companies will have to accept that their market is the medium and small-scale sector enterprises — sectors as yet unexplored by the leasing industry. Though this market segment is highly fragmented and dispersed by its very nature, it is a high potential market," says Ross Deas.

Obviously, credit appraisal and risk evaluation when dealing with less established middle or small sized enterprises is a complex exercise. But it is only by developing such skills as well as a marketing orientation that the newly emergent units within the leasing industry can hope to survive in the long run, given the present rate of quantitative expansion within the industry.

A pioneering attempt in this direction has already been made by a newly emergent group of specialist leasing companies which have concentrated their attention on specific market segments as their exclusive areas of business. Thus, the Hyderabad-based Standard Medical Leasing Ltd. (SML — aggregate lease income: Rs. 1.56 crores in the year ended 30th September 1985) ranks among the few leasing companies that chose to specialise in medical leasing, and to all intents and purposes has made it big within a specialised market segment. SML has evolved a unique arrangement by making medical equipment available to the medical profession — it leases out fully equipped medical diagnostic centres to groups comprising 30 medical specialists or more.

MARKETING SKILLS

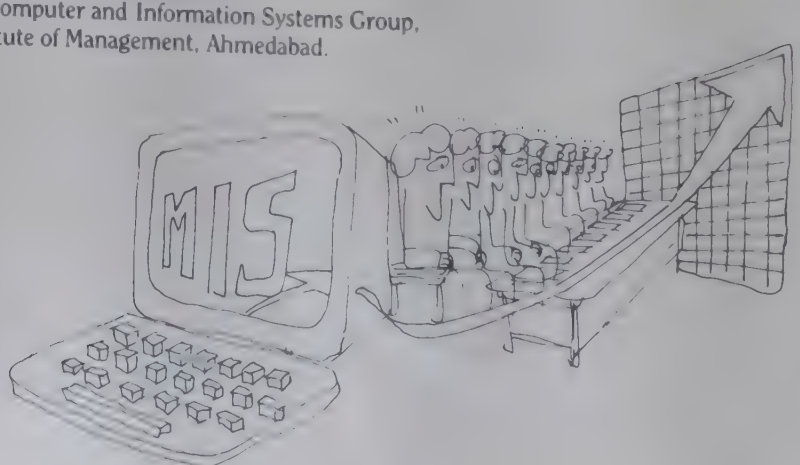
"The new challenge confronting the leasing industry it to develop its marketing skills. Hitherto, the industry has been dominated by finance experts and accountants. Now, it requires marketing professionals who will go out and sell lease packages to the more promising among the 1.2 million small-scale sector units spread across the country. They will not only need marketing skills, but also credit appraisal and business evaluation skills, as well as the ability to spot tomorrow's winners. The leasing firms which develop these skills are the ones which will prosper in the future," says H.P. Ranina,chairman of Mazda Leasing quoted earlier.

Quite obviously, not all top level managers within the leasing industry are likely to read the writing on the wall with equal facility. Which is why a big shakeout is in the offing in this brave new industry, in which the pressure of competition is fast reaching boiling point.

Corporate decisions
don't flow from thin air.
Plenty of facts
decide each.
And form the solid source.
Which is fine
as long as
the right facts...
the right data...
are coming along
so the decisions are right.
But are they?

Management Information System

by Dr. Nitin R. Patel
Professor, Computer and Information Systems Group,
Indian Institute of Management, Ahmedabad.



Managing information

In one of his short stories the Nobel prize winning Argentine author Jorge Luis Borges describes an infinite library which houses ever imaginable book. However, the library is so unorganised that one can never access desire information. Today's manager, inundated as he is in a blizzard of data from reports, newspapers, telex messages, telephone conversations and conferences, at times feels he is in such a library.

Today, managing information is becoming as important as managing men, machines, money and materials. Two fundamental reasons underline this occurrence.

1. Complexity. Within the organization and without

A manager's decision-making environment is becoming exceedingly complex. This is due to rapid technological innovations, changing government policy initiatives, fluctuating economic trends as well as organizational factors such as size, geographic dispersal and the need for specialization. All these factors underscore the need for better information.

After all, information is the cement that binds together the various structural components of an organization. One has only to imagine an organization in which one department, say production "does not speak to" another department, say marketing, to realize the fundamental importance of information in co-ordination of activities.

2. Information technology

A major revolution, based on micro-electronics, has been in progress during the last 20 years. This revolution has brought about a hundred to thousand-fold reduction in the cost of computers. Telecommunication costs have also been dropping sharply. These technologies are rapidly converging into one integrated technology. The ability of computers to compress time can now be combined with the ability of telecommunications to compress space to provide systems with totally unprecedented capabilities. Examples of such systems in India are the on-line reservation systems of both Air India and Indian Airlines and the bold project that Indian Railways is undertaking to keep track of wagon movement on the broad gauge network.

Management information systems

A major step towards coping with the problem of information is to develop a strong Management Information System (MIS).

An MIS provides a systematic, well defined process for routinely collecting, processing and presenting information both from within the organization and from the environment to enable managers to make better decisions.

Planning and control

The information provided by an MIS assists managers to make planning and control decisions. In order to function, every organization must perform certain operations.

example, a car manufacturer must undertake certain manufacturing
rations. In addition to performing these operations, plans must be made for
n. Decisions have to be made on how many and what type of cars to assemble
t month. Control must be exercised on the operations in the light of plans and
ets developed in the planning process. Manufacturing operations should be in
with targets. If not, deviations must be corrected, or plans revised.

ta processing and MIS

en there are elaborate data systems for assisting operations. For example, the car
nufacturer will have to provide data to workers on the shop floor about work that
ds to be done on a particular batch of material. This system has no managerial
ision making significance. It is not part of an MIS. If the system provided
rmation on productivity, machine utilization or rejection rates, it would be part
n MIS.

n MIS includes historical data on an organization's activities as well as current
tus data. Other ingredients are manual procedures that are used to collect and
cess information and computer hardware. Equally important are the computer
grammes used to process information and models employed to structure data.

ing computers in MIS

e role that a computer can play in an MIS depends on the type of decision to be
en. Some decisions can be structured in such a manner that most of its
portant aspects can be reflected in a computer model. This is frequently the case
h short-term, day-to-day operational level decisions. For such situations,
ce an appropriate model is constructed, the computer can make the right
ision subject to managerial review for unusual situations. A typical example is
ventory control.

trategic decisions are often very difficult to structure. However, it is possible in
me cases to structure part of the decision so that it can be handled by a computer.
ypical example could be a major investment decision in which there are many
certain factors. The opportunity to exploit a computer's strengths of speed,
curacy and large memory to support decisions, occurs often at the middle level
here medium term decisions are made. Examples are various analyses of sales,
iection analysis in production, monthly production planning, annual budgeting
d sales forecasting.

xecutive computer

ne of the most exciting features of micro-computers is that they enable managers
directly work on their own with computers. This has become possible because
werful and easy-to-use software packages are now available. The most important
these are electronic spread sheets. The essential idea in spread sheet software is
at the procedure for calculations has to be spelt out once. Subsequently, the
ocedure can be applied automatically to answer "what if" type of questions. For
ample, if in an investment decision the tables for calculating the return on
vestment have been laid out once, subsequently the impact of reduced demand or
flation or loss of production, can be evaluated.

o's and don'ts in setting up a computer based MIS

- Do focus on the key result areas of your business.
- Do not be guided in your choice of application areas by what others are doing.
ne best use of a computer in your organization depends on your strategy and the
titudes of your people.
- Do not leave the choice of applications to technical computer staff. They will most
kely automate existing systems, rather than develop systems in areas where they
e most needed.
- Do involve line managers and users in deciding on applications, participating in
stem design, assessing benefits and in implementation.
- Do give careful consideration to training needs of both staff and managers.
- Do not rely on utilization to judge the effectiveness of your computer system.
igh utilization often results from inefficient systems.
- Do give careful consideration to reliability and security issues.
- Do draw up a broad long-term information systems plan before obtaining
mputer equipment.
- Do keep abreast of development in computer
d communications technology.

**his message comes to you from Vimal. The trusted
rporate fabric. And this summer, Vimal brings you
nother competent range of Polyrich Suitings.
ne textured. In summer-compatible shades.**

VIMAL
Polyrich Suitings



World Billiards Champion Geet Sethi

GCEL



A working still from Basu Chatterjee's popular TV serial 'RAJANI' featuring Priya Tendulkar

Today, a new breed of good film makers aren't saying it on film.

Gone are the days when many a young film maker depended on the film industry for recognition. And on the intricate 35 mm film format for expression.

Gone are the days too when Doordarshan depended on the film industry for entertainment, and you sought yours in movie halls.

Today, the format is the simple video tape and entertainment has come home. With it, new stars. TV stars. And new film makers. Telefilm makers. Entertaining you with sitcoms, informing you with documentaries and persuading you to spend more time at home.

GCEL's Pro Video System

And helping the new breed of telefilm makers is GCEL. With a good, low-cost Professional Video System package. A package that includes ¾" VCR & Portable U-Matic, Automatic Editing Control, 3 Tube Colour Video Camera, Camera Control Unit and Digital Time Base Corrector. Plus, a truly professional 1" VTR on the advanced B-Format. All built good. With better technology.

The Better Technology of GCEL

At Gujarat Communications and Electronics Ltd., our objectives are clear. And simple. Since 1975. That India's future is hi-tech. And every Indian should be part of it. Wherever he or she is in India. So at GCEL, we develop technology that's better. And relevant. To help every Indian live a little better.



GCEL

Gujarat Communications & Electronics Ltd.
Regd. Office: Third Floor, Anurag Commercial Centre, Race Course Road, Baroda 390 005.

Live better. The better technology is here.

Mudra:A:GCEL:3003 R

THE MORE YOU COMPARE, THE BETTER IT LOOKS.

SEE HOW THE WIPRO PC STACKS UP AGAINST THE COMPETITION.



Brand 'X' Rs 50,000 | **Brand 'Y' Rs 44,000** | **WIPRO PC Rs 48,000**

The biggest name in minicomputers now offers you a small business computer that spells value for money like no other PC does.

The WIPRO PC.

It costs just Rs 48,000 for a completely operational, ready-to-use configuration. Which includes 256 K Bytes of memory. And a printer (quoted extra on most other PCs).

There's a lot more.

To begin with, the WIPRO PC doesn't stop at running IBM PC software. So you also get a large number of ready-to-use software packages designed specially for the Indian user. And this means you don't end up spending money on application software development.

Then, it lets up to three people use the same resources. And run different programs. At the same time. With its multiuser DBOS†. And its multi-terminal support.

And, of course, you get the single user MS-DOS. So you can run the entire library of IBM PC software. From Lotus 1-2-3 to Wordstar... dBase III to Flight Simulator.

You also get the Concurrent CP/M, which lets up to four different programs run on the same terminal. Simultaneously.

What's more, it offers extra on-line storage up to 40 MB. An extra large 14" colour or monochrome display. A versatile 97-key keyboard. Four extra IBM PC compatible slots. A whole lot of features that give it the edge!

And the fact that it's from WIPRO means you'll get nothing less than the very best when it comes to service support. Whether it's hardware maintenance or software implementation.

To add to it all, add-ons cost much, much less than on other PCs. For example, additional memory of 256 K Bytes costs you just Rs 2,000.

So come get your hands on the WIPRO PC. The only limit to how much it can do is your imagination.

The WIPRO PC/XT, which includes a 10 MB Winchester disk drive, 256 K Bytes of memory and a printer, is priced at Rs 70,000.

† Supported only on the WIPRO PC/XT.

To see, hear or know more about the WIPRO PC, call or write to:

WIPRO Information Technology Ltd.
S B Towers
88 Mahatma Gandhi Road
Bangalore 560 001
Phone: 569622 Telex: 845-8356

WIPRO PC



IBM © PC, IBM are registered trademarks of International Business Machines Corporation.
MS-DOS is a registered trademark of Microsoft Corporation.
CCP/M is a registered trademark of Digital Research Inc.

A great deal more. For a good deal less.

LETTER FROM WASHINGTON — MARK TRAN

New World Bank chief

The appointment of a former congressman Barber Conable as president-elect of the World Bank sent bank officials scurrying to inspect Conable's voting record during his 20 year career in the US House of Representatives. "Who's he?" was the initial reaction. Once they found out, some bank officials consoled themselves with the thought that (unlike the current president Tom Clausen) Conable "at least is not a banker."

Conable's appointment (which takes effect on 1st July) took official Washington by surprise. He was the consensus choice of the various US bureaucracies after earlier candidates dropped out. Federal Reserve Board chairman Paul Volcker did not want the job. US labour secretary William Brock, who used to be the US trade representative, laid down two conditions which could not be delivered: the removal of the senior vice president Ernest Stern—who has effectively run the bank during Clausen's five year term—and the resignation of all the vice presidents.

Stout resistance. The other man in the running was William Middendorf, the current US ambassador to the EEC. But his choice, which had little support from official US circles anyway, was stoutly resisted by the Europeans who found his rightwing views too strong to stomach. Middendorf espoused such causes as the restoration of the gold standard.

Conable's selection, universally acclaimed on Capitol Hill, could serve the bank well in future funding battles. One reason for Clausen's ineffectualness was his lack of clout with congress. Conable, even though he has no expertise in development finance, received high marks from colleagues for the sharpness and breadth of his intellect. "A remarkable intellectual and moral force," said longtime adversary House Ways and Means Committee chairman Dan Rostenkowski (a democrat). The verdict was typical of not only congressmen but development experts.

Conable (63) takes over from Clausen at a time when bank morale has sunk and also when the US administration is pushing it into a greater role in the debt crisis. Clausen delegated much of his tasks to Stern who ran the show like a schoolmaster. He kept close track of projects down to the most minute detail. "Too controlling," a bank source commented.

The Reagan administration may not cavil at that particular approach but it is trying to shift the bank to more sectoral lending—to take more of a big picture approach. The question is whether the administration or congress will give the bank the money to do the job. Therein lies Conable's challenge.

An early fight could be the bank's desire for a general capital increase of US $40 billion (Rs. 48,000 crores), taking it up to US $120 billion, and replenishment of its soft loans arm, the International Development Association (IDA). In the last replenishment fight, the administration held IDA-7 down to US $9 billion. The bank wants around US $12 billion for IDA-8. Within the IDA there are also the issues of shifting lending from India and China to sub-Saharan Africa and whether to stiffen loan conditions.

Considerable expertise. Conable brings to his job considerable trade expertise and is seen as a free trader. He also has a good record in voting for funding of multilateral development banks. He served 20 years in the house, the last seven of those as the ranking republican on the House Ways and Means Committee, which writes tax bills. He retired in 1984 to teach political science at the University of Rochester in upstate New York.

His performance in congress speaks of a liberal republican and pragmatic conservative, much in the same mould as US treasury secretary James Baker, who happened to be one of his backers for the job. While he earned great respect for his thoughtfulness, the big question looming over his new assignment is whether he will be tough enough for the job.

★ ★ ★ ★ ★

BRITAIN

Freedom of the press

The overkill dimensions of the media coverage devoted to the launch of a new daily newspaper — *Today* —in Britain recently was by no means a matter of poor news judgement. The launch of *Today*, the first full colour daily newspaper produced on a fully computerised assembly in the UK, signalled the dawn of a new era for Britain's mainline newspaper industry. Concentrated in London's Fleet Street, the 17 mainline British dailies with a combined circulation of 15 million copies were hitherto printed and produced on equipment and machinery of 19th century vintage. Repeated attempts at modernisation of equipment have been frustrated and sabotaged by powerful unions, which have hitherto controlled the destinies of Britain's fourth estate with an iron fist.

The launch of *Today* in early February has however changed all that. Within days, the new paper recorded a circulation of 1 million copies (*cf.* 4,78,000 for the *Times* and 1.2 million for the *Daily Telegraph*), and its publisher Eddy Shah is confident that the circulation of *Today* will cross the 1.5 million mark within a year. That this will mean a loss of circulation for other mainline dailies if they do not modernise rapidly, was evident even before the first issue of *Today* hit the newsstands. Led by the two foreigner press barons who between them control 10 mainline dailies, *viz.* Rupert Murdoch and Robert Maxwell, Fleet Street's major papers have already begun their own modernisation programmes by moving out of Fleet Street and setting up shop in modern computerised facilities in other parts of the city of London.

Andrew C. Brown, writing in *Fortune International* (17th March 1986), comments, "Given the industry's fragile economics, currently profitable publishers fear that *Today* could push them into the red. Marginal papers could disappear. The challenge was to cut costs before Shah had a chance to threaten revenues."

Offices moved. The exodus from Fleet Street started in late January this year, when taking advantage of a printers strike, Murdoch moved the offices of the *Times*, the *Sunday Times*, the *Sun* and the *News of the World* to a new $170 million facility in east London's

dockyard area. Murdoch sacked 6,000 printers in the process—a move which was made possible by the recent legislation making sympathetic labour actions illegal.

Murdoch's example catalysed the long paralysed managements of other newspapers into taking the plunge as well, and by early March, the *Daily Telegraph* had announced plans to move to new, modern facilities in east London by September. Other papers including the *Guardian*, the *Daily Mail* (circulation: 1.8 million) and the *Daily Mirror* (circulation: 3 million) also intend to move out of Fleet Street by early 1987, and the indications are that by early 1988, Fleet Street will no longer provide an elegant address for Britain's major newspapers.

"For more than two centuries, Fleet Street has been the center of the British newspaper world; for the British public, which reads nearly 15 million national papers every day, its name represents a treasured institution. But for the past five decades, Fleet Street has also been synonymous with autocratic unions whose members operate the linotype machines, produce the finished pages and run the presses. The unions have exercised a paralysing grip on Fleet Street, dictating who is hired, shutting down presses at will and, in effect, keeping the proprietors hostage.

"Now, because of Shah and Murdoch, the once formidable power of the unions is fast crumbling, swept away by a wave of highly efficient computer-based technology. The two men have opened the way for the country's 13 other major national daily and Sunday papers to break their union shackles and join the high-tech revolution. Most of those papers are now planning to move to modern plants scattered around London. Soon Fleet Street will no longer be the home of Britain's major newspapers," comments Edward Desmond, writing in *Time* magazine (17th March 1986).

If the tradition and history-minded Londoner is likely to be distressed by this, there is also little doubt that the long delayed modernisation of Britain's newspapers has also narrowly averted disaster and unemployment for several thousands of journalists and other workers. For almost five decades since the advent of Labour Party controlled unions on Fleet Street, the mainline British press has been a bad business proposition.

In most years, even papers with large circulations and correspondingly ample advertising revenues have been chalking up losses. And in exceptional years, profits before tax have never been more than 1%-2% of capital employed, thus making it impossible for managements to undertake even minimal investments in improved facilities and equipment.

But profit considerations apart, the use of obsolete technology has made Fleet Street highly vulnerable to takeover bids by outsider raiders such as Murdoch and Maxwell, and to circulation losses for the hundreds of provincial and regional papers which use more modern technology.

But circulation losses (or more correctly stagnation) cannot be attributed entirely to technology, and at least some of the blame must be accorded to inadequate or unsuitable style, presentation and news coverage. For instance, when Murdoch took over the *Times* in 1981, it had a circulation of a little over 2,80,000, down from 5,00,000 in the mid-seventies when a host of smaller, more newsy and better presented papers made their appearance on newsstands in Britain. Murdoch revamped the *Times*—under frequent protest from editorial staff and loyal *Times* readers—to make it more popular and newsy. As a consequence, circulation jumped to 4,78,000 by 1985.

In this again, Murdoch has set a trend which other quality dailies are bound to follow, and not a few observers fear the death of serious, contemplative and commentative journalism over the next few years. But opinion is understandably divided on this issue, because modern technology cuts unit production costs, and that makes it possible for papers to survive and make profits on smaller circulations. Thus, the belated modernisation of Britain's mainline newspaper industry could conceivably also result in the return to classicist journalism of debate, discourse and essay, at least within some segments of the press.

But inevitably, modernisation of the technology base of the British press will also bring in a bigger inflow of foreign news and views—now more easily accessible over computerised data banks and satellite links—than ever before. Thus, fears that modernisation will also result in an erosion of the British way of life and the British identity—already

Britain's fourth estate

Daily	Owner	Circulation (millions)
Sun	Rupert Murdoch	4.13
Daily Mirror	Robert Maxwell	3.03
Daily Express	United Newspapers	1.90
Daily Telegraph	Conrad Black	1.20
Guardian	Guardian Newspapers	0.49
The Times	Rupert Murdoch	0.48
Sunday papers		
News of the World	Rupert Murdoch	5.10
Sunday Mirror	Robert Maxwell	3.01
Sunday People	Robert Maxwell	2.96
Sunday Times	Rupert Murdoch	1.25
Sunday Telegraph	Conrad Black	0.74
Observer	Tiny Rowland	0.69

Source: Time magazine, 17th March 1986



Shah: union breaker

under pressure with the spread of the Coca Cola-denim culture—are not unfrequently being voiced.

Greater importance. But even as the full implications of the modernisation of the British press continue to be discussed and debated, not a few observers are inclined to credit the now increasingly unpopular Margaret Thatcher for what may well be her last major "gift" to the British people. The decline and death of unbridled trade unionism in the fourth estate which Thatcher has made possible, is of a piece with her overall policy of containing union power. It is a policy which has resulted in a perceptible upswing in productivity and growth within the country. Yet, Thatcher's gift to Britain's fourth estate may well prove to be of greater importance in the long run than the assault on trade unions in general, because it has provided the press with an opportunity to respond to changing needs and preferences on the one hand, and to mould public opinion on the other, without sacrificing profitability and cost controls.

It is perhaps not entirely accidental that even as the great leap forward to modernisation is occurring within the British press, the winds of change are beginning to polarise opinion and divide the fourth estate in India as well. Given its British colonial origins and the fact that it continues to derive its standards and moral sustenance from the British press, the largest newspaper groups within this country have hitherto stonewalled the need for change and modernisation.

But with the Samir Jain led group attempting to usher in a greater degree of news orientatión in the Times group of newspapers, and with *India Today* and the *Malayala Manorama* having already switched over to computerised editing, typesetting and layout, the drive towards modernisation within the Indian fourth estate has got off to a slow start. Yet, despite these stirrings the quantum jump into the era of computerised technology is still a long way off for India's fourth estate.

Michael Neri

SPAIN

New investment boom

Who believes in Spain more than the Spaniards do? Well, the Americans, the Japanese, the French and the Germans, do for a start.

Spain's own companies, smaller than their counterparts in the main European Community countries, still wallowing in the after-effects of the crisis of the mid-seventies and not sure yet what to do about community entry, are reluctant to invest even though recent figures show a slight upturn. But foreign companies are keeping up a constant inflow as Spain makes its EEC debut.

The government's victory in the mid-March referendum on NATO, by removing a threat of political instability, also removes a potential psychological barrier to foreign investment, especially from the US.

In February, Kubota, the leading Japanese farm machinery maker, announced that it would start making tractors in Spain later this year. It intends to buy a controlling stake in the tractor division of Motor Iberica, the troubled automotive group owned by another Japanese group, Nissan.

Foreign investment in Spain has been steadily increasing for 10 years, encouraged by the prospect of EEC enlargement. Last year the total, including property and portfolio investment, rose by $650 million to $3.16 billion (Rs. 3,792 crores). Direct investments in foreign-controlled Spanish companies were approved by the government to a total of $1.87 billion, continuing to rise after a sharp jump in 1984. Two-thirds came from companies already installed in the country.

The attractions of Spain for multinational companies vary from sector to sector. For some, such as the car makers, the combination of an inexpensive but competent workforce and access to the whole EEC market is the key. "The quality of products coming out of our Zaragosa plant in Spain is first rate," General Motors Europe says. The company is just starting production of a second model, the Opel Kadett (Astra in the UK), at the plant.

New frontier. For others, such as the leading oil companies, Spain is a new frontier, now that EEC entry is forcing the removal of protectionist barriers. Because of the state-owned oil monopoly, Spain has only 3,500 service stations compared with 30,000 in France and more than 20,000 in the UK. Esso Europe, among others, considers Spain "potentially a very attractive opportunity," and is moving to establish a foothold in the market as soon as it is allowed.

High-technology companies have other incentives for going to Spain. Building work is starting at a $210 million American Telephone & Telegraph (AT&T) custom microchip plant outside Madrid—a flagship project and the US group's first venture of this kind in Europe. Spain's socialist government hopes it will be the focus for a fresh phase of high-technology development.

A foreign project in Spain has never received so much in grants and soft loans—60% of the total investment. Spain was not seeking to obtain capital but to persuade the Americans to part with advanced technical knowledge. Indeed, the US administration would not pass the deal until Spain gave guarantees that the technology would not get into the wrong hands.

Spain is paying for its technicians to train at AT&T in the US. Through its semi-state Telefonica communications group, it wants to catch up on electronics technology. With little or no technology of its own to defend, it has no reservations about where it acquires it. US, Japanese and EEC companies are all being brought in.

As many as 18 US manufacturers in advanced technology sectors are expected to have come to Spain in 1985 and 1986, including joint ventures in sectors such as fine chemicals. For officials in Madrid, this emphasis is crucial if Spanish industry is to find a niche in its new environment, and establish an edge, not over the bigger EEC members, but over third world countries which threaten to compete on production costs.

Notorious lack. In the EEC, Spanish officials believe that even if wage differences narrow in the medium term, there is always likely to be a gap. Hence they foresee that despite the Iberian countries' notorious lack of labour flexibility (making people redundant is a costly and cumbersome process), the labour factor will continue to attract further production, especially since a relatively wide margin remains for improving productivity.

They are probably right. Courtaulds, the UK textile group, took over Cyanenka, an acrylic fibre producer in Spain, late in 1984, mainly to improve its position in the local market. The transition has been successful and the group now uses Cyanenka as an export base as well.

While US corporations seeking European footholds have dominated the investment picture in recent years, Spain has also become a prime target for Japanese investment in Europe. Some 13,000 people are employed in Japanese subsidiaries or joint ventures, and the EEC share is increasing.

EEC projects approved by the government last year rose 18% to about $750 million. French investment, including



More rubber

That's what the new Ceat C 800 offers. This sleek premium-depth car tyre is packed with extra rubber.

More mileage

And what the extra rubber gives is extra mileage. The sleek design of the C 800 reduces drag and improves fuel efficiency.

More Ceat

The new C 800 has all the benefits of the advanced Ceat technology. And the C 800's lightweight design with angular zig-zag ribs is a direct result of this technology. So that you get extra stability and smoother rides.

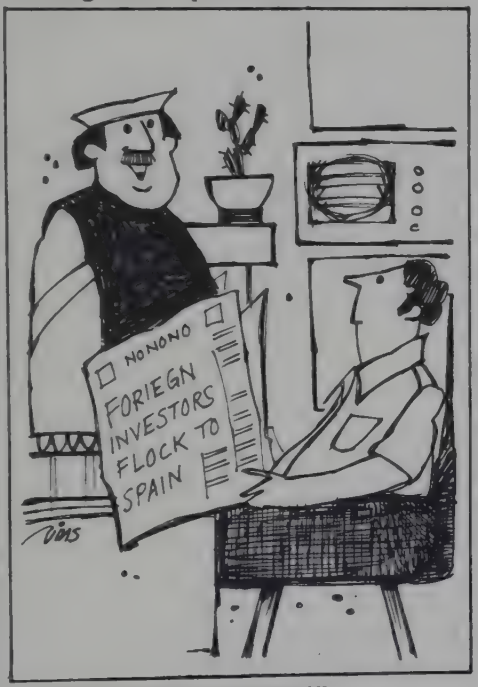
CEAT

Going your way.

ULKA-CT-TM-85 R

food ventures, has soared to rival West Germany's. The biggest business owner in Spain, after the Spanish state, is the French state (through companies such as Renault, Saint-Gobain and Rhone-Poulenc).

More community investments are expected in order to take up positions in the Spanish markets—notably distribution subsidiaries and services. Volkswagen is poised to conclude its takeover of Seat, the state-owned car maker, with a $3.3 billion plan to remodel its production set-up. Siemens, the West German chemicals group, and Pirelli, the Italian tyre manufacturer, are extending their Spanish activities.



"That's strange socialism!"

While the home market with its considerable expansion potential remains a decisive factor, foreign companies have become increasingly geared to exports. Among the more recent arrivals, Ford and General Motors, for instance, are both primarily exporters, as AT&T will be. This shift can be explained to some extent by the slowing of Spanish demand, and also by the export obligations written into recent investment agreements—but most of all by the approach of open access to the EEC.

Direct correlation. Something of a switch has taken place since the investment surge of the sixties and early seventies. Companies came then because it was the only way of getting into Spain and eluding its high tariff barriers. Studies show there was a direct correlation between the degree of protection in a given market and the amount of foreign investment. During this period, foreign companies imported more than they exported. Since 1977 this has been reversed.

Since the oil crisis, investment has focused on volume production of small cars—a sector in which Spain will have no fewer than six multinationals, including Volkswagen—on oil-related activities such as plastics, and on banking, which has been partly opened up. Finance and services provide the second largest category of direct investment after engineering.

Recent wage moderation—increases this year are expected to keep roughly in line with forecast inflation of 8%—and the weakness of trade unions in a country with more than 20% unemployment have helped the investment atmosphere.

However, Spain is not a uniform collection of success stories. Companies which arrived during the first boom, aiming at the domestic market, today appear in many cases cumbersome and overmanned. Groups like Peugeot have joined Spanish companies in negotiating state aid to enable them to trim workforces. Westinghouse and General Electric of the US have both dropped control of their heavy electrical offshoots in Spain after sharp cuts in demand.

Some companies with small Spanish operations may pull out in order to supply Spain directly from other, more economically located production bases in the EEC. A company such as Sony, Spain's first volume producer of video cassette recorders, will have to re-think the rationale of its activity in Spain once the import tariff barriers (being dismantled over seven years) come down.

Some of the biggest problems have arisen with the takeovers of existing Spanish companies. General Motors, which is apparently happy with its new Figuerelas plant even though it has yet to show profits, got cold feet last autumn about taking over Enasa, Spain's state-owned truck manufacturer. The government is meanwhile preparing a decree to remove restrictions on foreign investment in most of those sectors—mining, hydrocarbons, refining, insurance, air transport, shipping, local radio stations—where they are still significant.

Blanket limitation. These restrictions are hangovers from past distrust towards foreign business. After the civil war, the Franco regime imposed a blanket limitation of 25% on foreign ownership. In many sectors, equity stakes and repatriation of profits were prohibited. Foreign participations were not allowed until 1959, and then only up to 50%.

Since then, the law has been progressively liberalised. The socialist government removed much of the red tape last year and extended the measures to non-EEC investors. But in some sectors, such as steel, oil and cars, the restrictions and tariffs will only be reduced gradually over the next seven years.

The shortage of large, dynamic Spanish groups has left numerous industries to foreign companies, which exercise a large measure of control in sectors such as chemicals, motor vehicles and components, food and dairy products and office equipment. Multinationals, which not only tend to export more than Spanish companies, but also to import more, equally play a dominant role in Spanish trade. Spain's top non-oil exporters (and they are also some of the biggest importers) are Ford, IBM, General Motors and Renault.

David White and Ian Rodger
(By special arrangement with the Financial Times, London)

FRANCE

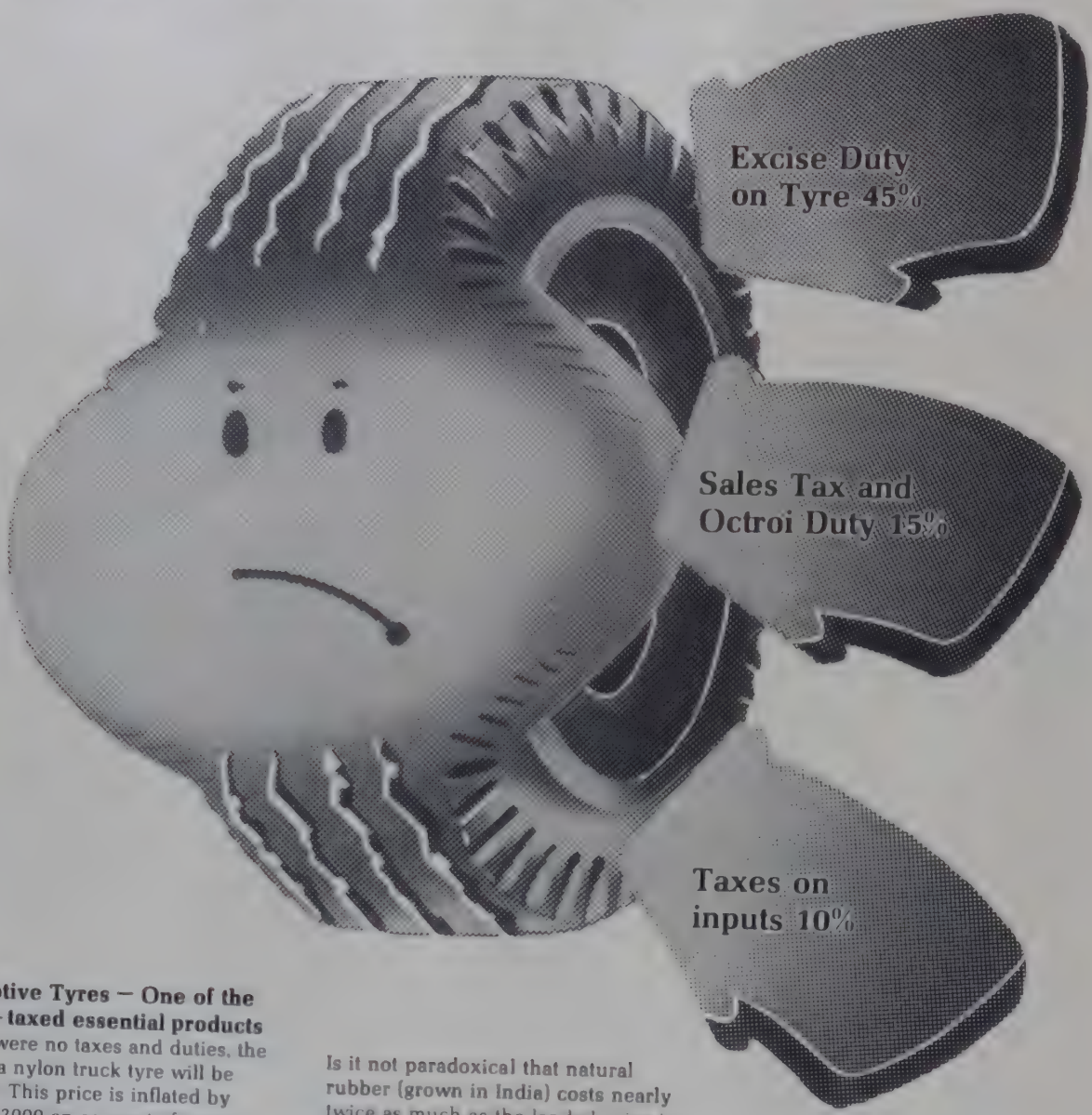
The cohabitation experiment

The elections of 16th March to the French national assembly have placed two completely antithetical personalities in the two highest offices of the country.

Francois Mitterand (69), who continues to remain the president, is a stately contemplative introvert with a strong literary bent. Despite being cast in the archetypal mould of the strong man that France has always needed at the helm of affairs, he is a die hard socialist who is extremely popular. His wily but subtle political tactics and skilful statesmanship have earned him the sobriquet 'the Florentine.'

By contrast, Jacques Chirac (53), the newly elected prime minister, is an impulsive young extrovert who prefers action to words. A man who does not like taking orders, he is still trying to live down a reputation for belligerence and compulsiveness. Chirac, who has refashioned the conservative ex-Gaulist movement and in the process has become its undisputed leader, was once described by a political mentor as 'the bull-

What Inflates Tyre Prices?



Automotive Tyres — One of the highest-taxed essential products

If there were no taxes and duties, the price of a nylon truck tyre will be Rs. 3000. This price is inflated by over Rs. 2000 on account of taxes and duties.

Is it right that tyres (that move the common man and his daily necessities) attract a higher rate of duty than many luxury items?

Raw Material Prices — More than Double the International Prices

Item	Rate Per Kg.	
	Inter-national	Indian
Natural Rubber	Rs. 10	Rs. 18
Nylon Tyre Cord	Rs. 35	Rs. 92
Carbon Black	Rs. 9	Rs. 23

Is it not paradoxical that natural rubber (grown in India) costs nearly twice as much as the landed price in England (which grows no rubber)?

Can the tyre prices come down?

Yes they can. Indeed they must. To revive the Road Transport Industry. And to accelerate the growth of the Automobile Industry.

The Tyre Industry believes that a tyre is not a luxury, it is an essential commodity. The wheels of industry run on it. The Tyre Industry is anxious to bring down prices to reasonable levels. And will do so. If taxes and duties are reduced. If raw materials are made available at international prices.

For more details about the tyre industry contact:-

Automotive Tyre Manufacturers' Association

108, Uday Park, New Delhi-110 049

Indian Tyre — the better tyre

SPACE PLAN

dozer.' The nickname has stuck.

These two persona who have been bitter political opponents for over a decade and who have not been on talking terms are now bound together as a consequence of the somewhat peculiar structure of the French constitution, to share the reins of power. While Mitterand will continue to remain the president till his seven year term expires in end 1988, Chirac, as leader of the victorious Rassemblement pour la Republique (RPR — rally forth for the republic)-Union Pour la French Democracy (UDF — union for French democracy) combine which emerged with a clear majority in the recent elections, is the new prime minister of France. This unlikely couple are now committed to a power sharing experiment for which the French with typical Gallic penchant for the off-beat have already coined a word: 'cohabitation.'

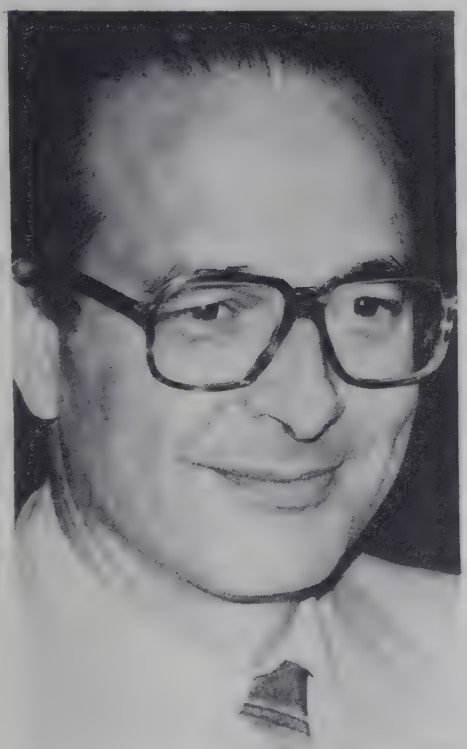
Substantial powers. Despite the somewhat improper connotations of the word both in English and French usage, there is nothing unconstitutional about it. Under the laws of the fifth French republic promulgated by the late president General Charles de Gaulle in 1958, it is the prime minister who directs the government and the government "directs and conducts the policy of the nation." Yet the powers of the president are by no means unsubstantial.

Crucially, the president appoints the prime minister and presides over cabinet meetings. He also commands the armed forces and approves the nuclear option. Although the president is also required to approve every measure passed by parliament, he has no veto power as such. Therefore, as ex-US president L.B. Johnson once lamented, "What use is the power to start a nuclear war if you can't pass a tax bill." The unchallenged domination of President Mitterand over government during the past five years was only possible because the president's own socialist party commanded a majority in the previous national assembly with Laurent Fabius, the outgoing prime minister, content to play second fiddle. It is inconceivable that Chirac will be as obedient an understudy.

Indeed, as events unfolded in the aftermath of these crucial elections, conflicts have already surfaced. To Mitterand's credit, barely 24 hours after the computers had spewed out the results of the nationwide poll, he stepped into the glare of lights at his personal television studio in the caverns of the Elysee palace to make a sombre three minute address to a nation which was more curious than worried at this turn of events.

Dispelling any fears that he (Mitterand) would try to use his office to prevent the conservatives from forming the new government, he proclaimed in a speech delivered on French national television on 18th March, "This majority is numerically weak but it exists. It is thus from its ranks that I will summon the person that I have chosen to form the new government." Magnanimous in defeat, Mitterand wished the incoming team success but stated unequivocally that their views differed from his on essential points.

Working relationship. He kept Chirac cooling his heels for another day before summoning him to the Elysee palace where the president and his would-be



Chirac: mutual tolerance plea

prime minister conferred without aides for over two hours in Mitterand's Louis XVI-style study. According to newspaper reports, they sought to spell out a blueprint of what their respective domains of responsibility should be as well as future working methods. Once a working relationship had been established — however grudgingly — the wheels were set in motion for the transfer of power.

On 20th March, Chirac made his maiden speech to the nation as prime minister from the ornate reception room at the city hall in Paris, outlining his immediate priorities. Interpreting the constitution, Chirac made it amply clear that he felt that it allowed him full powers to formulate and implement new policies in running the country. However, he took full care not to step or tread on the toe of the president. Speaking shortly after he was called upon to form the government on a nationally broadcast television programme, Chirac is reported as saying, "The prerogatives and the duties of the president are untouchable... The French must understand that the moment has come to put an end to division and to rally in a spirit of mutual tolerance for the renewal of our country."

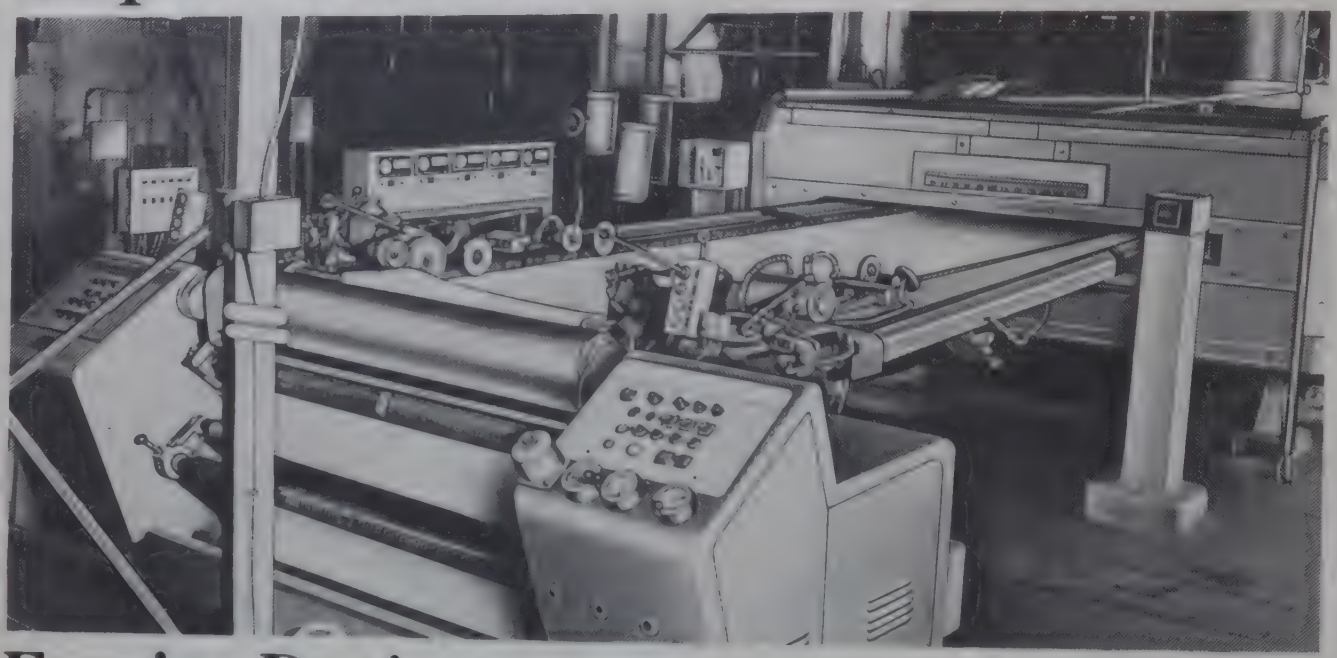
Despite this consummate one upmanship, the wide gulf that separates these two strange bed-fellows became evident when they got down to the brass tacks. Although reports said that the forceful Chirac, who is a man in a hurry, had made it clear to the press that he would seek to immediately pass a series of important economic measures by decree, bypassing the time consuming process of parliamentary debate and discussion, the president seemed to be reserving his comments on what is likely to be a *fait accompli*. Predictably, at the very first full meeting of the new cabinet presided over by Mitterand, the president reportedly made it clear that he would veto any major changes in labour laws legislation unless it was first debated and approved by parliament. Thus, despite the decree mechanism having been used by every French government since 1958, Chirac was obviously finding that an ideologically opposed president could prove to be a major stumbling block.

Irreconcilable views. A short while earlier, as Chirac designated his team of 14 ministers, eight deputy ministers and 15 secretaries of state, it was reported that his initial choices for the key portfolios of foreign affairs and defence — two areas where President Mitterand has a direct say — were vetoed by the president, as they did not hold views reconcilable to his own. It was obvious that Mitterand was sticking to the stance he had adopted in the run-up to the polls. "I would prefer to renounce my position rather than the authority that goes with it. I am not going to be a cut-rate president," Mitterand is reported as saying in *Time* magazine (10th March). Thus it would appear that the stage has been set for a period of political uncertainty unprecedented in the history of modern France.

As *The Economist* (8th March 1986) put it in a lead feature, "The fifth republic's constitution allows for a socialist president and a conservative prime minister even if it says disturbingly little about how to deal with the conflicts that their divergent views must result in.". Nor does the onus rest solely with the presi-

Another enterprise of

Empire Industries



Empire Dyeing

We process 3,00,000 metres of fabric everyday, adding quality and colour to the way you live.

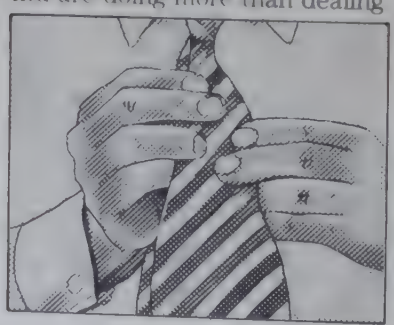
As the biggest and most modern textile processing house in India, Empire Dyeing's activities focus on dyeing and mercerising polyester and cotton fabrics—fabrics that have now become famous in India and throughout the world for their quality.

Keeping in tune with textile trends to bring you the latest in dressing.

Of course Empire Industries Ltd are doing more than dealing in textiles. Their manufacturing and marketing operations cover the additional areas of Medium and Heavy Crane manufacturing, Machine Tools, Instruments and Instrumentation Systems, Finance and Glassware.

The other enterprises of Empire Industries Limited:

Garlick Engineering, Empire Machine Tools, Empire Instrumentation, Empire Finance and Vitrum Glass.



EMPIRE DYEING

AN ENTERPRISE OF

EMPIRE INDUSTRIES LIMITED

Empire Industries Ltd

414, Senapati Bapat Marg,
Lower Parel, Bombay-400 013
Phone: 4920003/492036
Cable: EMPIREDYE
Telex: 011-73888 (EMPR IN)

Where Excellence Leads

6371

dent. Ten years ago when Chirac was first chosen as prime minister, he resigned within a few months in anger, complaining that President Giscard D' Estaing would not let him do his job. Right through the present campaign, he had underlined that he would require a free hand from the socialist president to apply "without any possible compromise or concession" the major policies of the conservative government.

Neither can the results of the elections themselves be allowed to speak for themselves as a pointer of the direction in which the French people would like the ship of state to sail. Although the conservative RPR-UDF alliance has won a majority with 40.98% of the popular vote, they managed a wafer thin majority of just two seats in the 577 seat parliament, thanks to the support of 14 independents. By no means can this, say observers, be construed as a decisive victory.

Indeed, the ruling socialist party which entered the polls without a chance of retaining their majority, managed a last minute burst of speed that allowed them to do amazingly well. With 206 seats and 32% of the popular vote, they are still the single largest party in the assembly — their second best performance in the last 26 years. As outgoing prime minister Laurent Fabius sadly observed during the last weeks of the campaign, "If this election were held next June, we would win the majority ourselves." Food for thought for a beleagured Chirac.

Out of favour. If the elections were at all remarkable, it was because ideology was out of favour in politically conscious France. Throughout the campaign, showbiz and pizazz rather than issues ruled the roost, as voters were confronted not with radical choices but a slightly left of centre socialist party and a slightly right of centre RPR-UDF combine. Indeed, the communist party managed to poll just 9.7% of the vote and 35 seats — their worst ever since 1924. The election, lamented communist party leader Georges Marchais in an interview to a Reuter correspondent, was "a sad and grevious experience" coming as it did just four years after the communists had shared the spoils of office with the socialist party before they were ejected by Mitterand in 1981.

At the opposite end of the spectrum, the fascist National Front — an ultra right fringe group that blames all of France's ills on the influx of immigrants from its former African colonies — stunned themselves and critics alike by polling 9.65% of the vote and 35 seats, i.e. as much as the communists polled. Although Chirac had voted not to include the front in his government, it is obvious that this support, however unwelcome, is bound to prove crucial in the days ahead.

For all the posturing that is in evidence, political analysts point out two major reasons why the cohabitation experiment is necessary and is even likely to succeed. In the first place, there is a semi-convergence of policy between the socialist party and the RPR-UDF conservatives, however much they may seek to deny it.

While Chirac's major policy initiatives include tax cuts, the lifting of price and exchange controls and the suspension of government restrictions against worker lay-offs, this is precisely what the socialists themselves were planning to do, even if very gradually. As Frederick Painton writing in *Time* magazine (17th March 1986) argues: "Both sides exalted the spirit of free enterprise, arguing only that one could encourage it better than the other. Both backed a tough policy towards Libyan Colonel Muammar Gadaffi's blatant intervention in the former French colony of Chad. Unemployment remained the issue uppermost in voters' minds but there seemed an unspoken consensus that no political party could credibly promise a cure for it."

Indeed, on the economic front the French economy looks very strong. Inflation has fallen from 14% in 1981 to around 4.2% in 1986 and is expected to dip below 3% over the ensuing year while the unemployment rate at 11% is high but lower than the European average. To stimulate investment, Chirac seems determined to return to private ownership those enterprises which were nationalised by the socialist party in the early stages of its rule in 1981 and 1982, as well as a general Reagan-style deregulation of the notoriously rigid French economy, which President Mitterand himself has already set in motion.

Workable marriage. Thus, as *The Economist* puts it, "Cohabitation need not be a doomed affair. It could yet be a grudging but workable marriage of convenience." Both Mitterand and Chirac have another and deeper interest in making it work: the presidential elections of 1988. While Mitterand is the undisputed front runner today, any suggestion of intolerance towards the conservative government could wreck his chances of re-election.

On the other hand, young hopeful Chirac needs time not just to establish his credentials but also to combat his rivals from within the conservative ranks such as Raymond Barre, Valery Giscard D'Estaing and Jacques Chaban-Delmas who are far more popular than he is today. Neither Mitterand nor Chirac can therefore stop cohabitation. *Vive la republique vive la difference* about sums it up.

Anand P. Raman

CHINA

Changing face of the public sector

Seven years after its inception in late 1978, China's economic reform programme moved forward in 1985 with the decontrol of urban retail prices for non-staple foods and the end of compulsory grain procurement by the state. What may be more significant in the long run is the rapidly expanding role of market forces in the economy as a whole. China's planners have finally managed, with some difficulty, to slow overheated growth and curb excessive investment levels, but direct state control over capital investment at the enterprise level has been sharply reduced.

What is emerging is essentially a dual, or two-tier economy, in which the state planning and distribution system coexists with a variety of unofficial marketing networks based on floating and free prices. State enterprises operate in both spheres, facing competition from other state enterprises as well as collectively owned enterprises, whose rapid growth has been led by the dynamic township and village rural industries.

Party conservatives who feel that the reforms are going too far, too fast have focused on public anxiety over prices, a drop in grain production and a huge foreign trade deficit in 1985, plus a rising incidence of corruption and economic crime. Last year's student protests over Japanese imports and the rising cost of living suggested that anxiety over rapid economic change is moving closer to the surface, and that economic nationalism could become a focus for the grievances of those who feel left behind by the reforms.

Sharpest critique. At an extraordinary party conference last September, party elder Chen Yun put forth the sharpest public critique of the reforms to date, pointing to "people, including party members, who have forsaken the socialist and communist ideals... becoming rich by unlawful means such as speculation, swindling, graft and taking bribes." He warned that "grain shor-

tages will lead to chaos" and criticised the rapid development of rural industry. The idea of the "primacy of the planned economy and the subordinate role of the market," Chen insisted, "is not obsolete." And he implicitly compared the current economic situation with the disastrous policies of Mao Zedong's Great Leap Forward in the late fifties, which Chen had opposed.

But despite Chen's undeniable influence and prestige, the conservatives failed to blunt the strongly reformist thrust of the draft proposal for China's seventh five year plan (1986-90), adopted at the conference. The leadership was able to stand on its record, insisting that the reforms be judged in their results, whether—in the words of the October 1984 central committee decision—they facilitate the "essential task of socialism (which is) to develop the forces of production, create ever more social wealth and meet the people's growing material and cultural needs." Chen's objections have been met with well publicised official crackdowns on crime and corruption, which so far have served to disassociate these "unhealthy tendencies" from the leadership's programme as a whole.

The decontrol of non-staple food prices last year was smoothly accomplished, considering the hypersensitivity of the Chinese public to prices. The large increases for certain items were one time adjustments, unlikely to be repeated as producers of pork, fish and vegetables respond to higher prices.

Similarly, last year's decline in grain production was not really serious—China still has substantial grain surpluses from record harvests in 1981-84—and primarily the result of poor weather and the accelerating reduction in acreage planted.

Peasants responded rationally to rising production costs and stagnant grain prices by shifting to more profitable crops; most cash crops showed dramatic increases in 1985, except cotton, which is overstocked. Output of oil-bearing crops was up 30%, sugar 19% and tobacco 29%, while production of vegetables, meat and fish is believed to have expanded substantially.

The high visibility of the food price increases and the declining grain crop, however, have obscured other structural changes that have taken place in the Chinese economy.

Serious difficulties. Excessively high levels of investment and industrial output growth finally began to moderate in the second half of 1985. Industrial output growth in January this year had fallen to 5.6% on an annual basis, the lowest rate of growth since 1981. It was clear, however, that China was experiencing serious difficulties replacing direct administration of the economy by the state with indirect macro-economic controls.

But the loss of control over the economy in 1984-85 also demonstrated the surprising degree to which decision making powers have already devolved from the state planning organs to individual industrial and commercial enterprises. Market-based prices, planning and exchange now co-exists with state planning and administered prices at almost every level, including trade in critical commodities such as energy products and steel. The collective sector, led by rapidly growing rural industries and operating almost entirely outside the state planning system, now accounts for nearly one-third of total industrial output, and the role of collectively owned and private enterprises in transport and other services is growing rapidly.

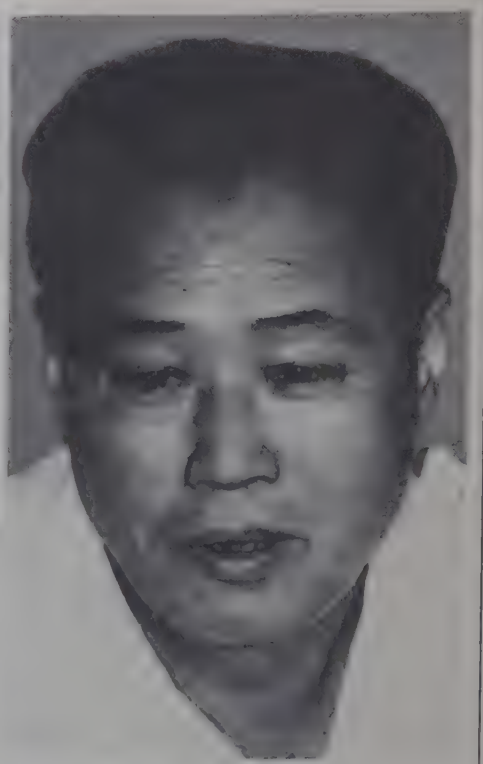
These phenomena do indicate the magnitude of the fundamental changes that China's economic system has undergone since 1978 and particularly in the past two years—changes which have proceeded more rapidly than even the reformist leadership itself may have anticipated.

The policy emphasis in 1986, premier Zhao Ziyang told a national conference on planning and economic work on 13th January, is shifting to "consolidating, digesting, supplementing and improving" while preparing for another round of reform changes in 1987 and 1988. "The present problems," Zhao said, "should not keep us from seeing the mainstream and the most essential achievements."

There are four areas, Zhao said, which require particular concern this year:

- Improving overall macro-economic control over investment in fixed assets and money supply.
- Stabilising the supply and market prices of vegetables and non-staple foods.
- Reducing the tax burden and increasing the level of retained depreciation funds for large and medium-sized state enterprises.
- Promoting inter-regional and inter-departmental economic relationships as the balance of decision making power shifts from state planning departments to individual enterprises.

Investment in fixed assets was 33.9%



Zhao: shifting policy emphasis

higher in 1984 than the previous year. Although no figure has yet been released for 1985, it is believed that last year's increase was as great as that of 1984 or even greater. This phenomenal rate of investment underlies the overheated growth of the past two years and was a major factor in the explosion of imports—steel imports climbed 28% on a tonnage basis in 1984 and were 66% higher in the first three quarters of 1985 than in the corresponding period of 1984.

Ill-considered ventures. China has experienced surges of excessive capital investment before, notably during the Great Leap from 1958-60, and in 1978, when the Four Modernisations drive first got under way. In the leap, massive investment in ill-considered ventures such as so-called backyard steel furnaces coincided with large-scale collectivisation in agriculture and the collapse of the state planning and allocation system, precipitating China's most serious economic disaster since 1949.

What was different this time was that the investment process had moved beyond state control. Fixed capital investment was firmly under the control of the state during the two previous episodes of high investment. State budgetary allocations accounted for 90% of capital construction investment in 1957 and 83% in 1978. In 1984, the

state budget's share of capital construction investment was only 54.4% and falling. In 1985, according to preliminary estimates, the state budgetary share of total capital construction investment may have been as low as 25%.

In the first half of 1985, according to an analysis by Wang Mengkui in the Peking *Guangming Daily* last November (full year figures have not been published), state budgetary investment had increased by 5.8% over the corresponding period of 1984, but extra-budgetary investment had more than doubled. Bank lending had increased by 158% and investment using internally generated funds by 94.2%.

A related factor was uncontrolled growth in money supply in the second half of 1984, which has been attributed in part to mismanagement in China's newly reorganised banking system. The index most comparable to M2—comprising currency, demand deposits, time savings and foreign currency accounts—increased by half between the end of the first quarters of 1984 and 1985.

Structural change. Both of these phenomena indicate clearly the degree of structural change that has taken place in China's industrial and commercial sectors, as well as agriculture, since 1978. More important, in the effort to brake the overheated growth cycle last year, though administrative methods were employed to halt or curtail many projects, the state did not (or could not) re-assert direct control over investment.

Reformist economists hold three different views regarding the "loss of economic control" in the second half of 1984, according to an article by Xiao Jie in the Shanghai *Shijie Jingji Daobao (World Economic Herald)* on 6th January. One is that, owing to the incomplete nature of reforms in 1984-85, the state and local governments' organs still exercise excessive control, price signals to enterprises are misleading and the immaturity of the semi-reformed commercial system artificially stimulates demand. The proponents of this theory take price reform as the prerequisite for other changes, stressing the need for coordinated implementation of new reforms and reducing the economic powers of local government.

The second focuses on the division of power between the enterprise and the state, arguing that inflated aggregate demand in the second half of 1984 can be attributed to the enterprises' lack of well-defined financial rights and responsibilities, particularly over their own funds. These property rights should be clarified by explicitly dividing ownership of assets between the enterprise and the state in the form of equity shares.

The third approach examines the difference between the theoretical model of a market economy and what has actually happened in China over the past few years. The role of the market is restricted by enterprises' limited access to economic information and other non-price factors, most important of which is the role of local governments, which is not well understood by any one.

In practice, enterprises have not responded to market conditions as was expected because, when removed from the state's control, the interests of the enterprise have fused with the interests of its staff and workers. This underlies the enterprises' difficulty in controlling wage costs and the "investment hunger" syndrome, in which an enterprise seeks to expand capital investment at all costs, regardless of the relative cost of funds or rational expectations of future profitability. This approach stresses the need to expand the sphere of market regulation from commodities to finance capital, labour and technology.

The common thread in these three arguments is that it is not enough simply to place the state enterprise into a market environment—it must have full autonomy to act, extensive and reliable information on which to base its actions and finally, the enterprise must be able to articulate and act in its own interests as distinct from the interests of either the state or its own personnel.

Volatile issue. Price reform remains the most politically volatile reform issue, at least as far as urban consumer retail prices are affected, and will be treated very cautiously in the coming year. In 1985, the retail price index (RPI) rose more than 11% in urban areas and 6.4% in rural areas. These figures probably understate the real cost of living increases, because the basket of commodities does not reflect the dramatic changes in consumption patterns in the past few years, changes which can be largely attributed to the effects of the reforms.

Even so, these are momentous changes for urban consumers. The RPI climbed only 2.8% a year from 1978-84, which was five times the average 0.5% annual increase (under rationing for staples and most non-staple commodities) from 1957-78.

Food prices were the most important factor in the rising RPI last year, as prices of pork, eggs, fresh fish and other non-staple foodstuffs jumped 20%-30% following decontrol. The problem of food prices ultimately involves the delicate question of dividing economic benefits between rural and urban populations.

The state, as sinologist Richard Kraus has pointed out, has so far "demonstrated enormous skill in reconciling peasants to a lower standard of living and in simultaneously withstanding worker demands for pay raises that would increase the urban-rural gap. Clumsy handling of this delicately balanced relationship could well magnify the level of open class conflict with which the bureaucrats must contend." (The Chinese state and its bureaucrats, in *State and Society in Contemporary China*, Victor Nee and David Mozingo, editors.)

Since 1978, both rural and urban incomes have increased substantially, and average rural incomes have grown more rapidly than urban incomes in relative terms, but the gap remains large and intra-regional differentials in rural income are widening rapidly. If one group or the other comes to believe that its slice is not growing as fast as the pie, this delicate balance of material expectations could be easily endangered.

The reformist economist Xue Muqiao, writing in the Peking *People's Daily* on 16th December 1985, noted that "our 800 million rural people are jubilant about the price increases which have caused their income to rise... (but) a fairly large portion of our 200 million urban people are very indignant about the price increases and say that since the price increases, the living standard of our people has dropped." If so, Xue asks, "shall we return to the living standard of the sixties when the monthly pork ration was only 0.125-0.25 kg per person, when live fish were difficult to obtain and there were only a few varieties of vegetables? Do most of our people want this?"

Dramatic improvement. There is no question that standards of living have improved dramatically. From 1978-85, annual per capita consumption of grain jumped 28.6% to 251.5 kg, edible oil consumption nearly tripled to 4.7 kg and pork consumption rose 70% to 13 kg. Living space per capita rose by 50% in urban areas to 6.3 square metres and by 67.9% in rural areas to 13.6 square metres. The number of bicycles per 100 people jumped from 7.7 to 18.8 and of radio sets, from 7.8 to 21.6.

But though both urban and rural residents have benefited from the reforms, rural incomes are growing faster. From 1978-84, average rural per capita income jumped by 165% in current renminbi terms to Rmb 355, nearly three times faster than the 58.6% in-

Tune in to the picture of prosperity.



Now, yours to share with SUCHITRA.

Television – A vision of the future:
Television – the industry of the present and the future. A part of the booming electronics entertainment industry which is growing at a compounded rate of 20% every year. With the commissioning of over 18 low and high power transmitters the TV network has rapidly increased to cover from 30% to 70% of the population.

And now you too can share in the future of this high growth industry with Suchitra Tubes Limited (STL). STL is Rs. 1100/- lakh project to manufacture 5.7 lakh B&W TV picture tubes per annum in technical collaboration with Bharat Electronics Limited (BEL) Bangalore.

Suchitra Spells Success:
STL comes to you from the fast expanding successful Suchitra group. Market leaders in the manufacture of critical TV components. Suchitra commands a market share of over 50%. Suchitra has built up an impressive list of clientele that includes the leading TV manufacturers in the country – companies like Dyanora, Crown, Bush, Uptron, Keltron, Beltek, ECIL and many others.

Technology from Pioneers:
STL is collaborating with BEL the pioneers in the field of Black and White picture tube manufacturer. BEL is the first company to manufacture TV picture tubes in India utilising knowhow from Nippon Electric Company (Japan).

And a ready market:
The Black and White TV market is rising sharply. The expanded TV coverage caters mostly to rural areas where Black and White TV sets will find growing demand. In fact 60 to 70% of the total demand for TV sets is expected to be for B&W TV's.

The Electronics Trade and Technology Development Corporation has been resorting to imports of B&W TV tubes to bridge the demand supply gap.

Full Steam Ahead
The plant is expected to go into commercial production in December 1986 a full year ahead of schedule at a cost saving of about 10%. Once again demonstrating the competence and ability of the promoters. With a break even point of 45% STL's success is assured.

A great investment opportunity
So Suchitra Tubes Limited with the backing of its illustrious promoters, the technical excellence of its collaborators and an assured expanding market for its products in the high growth field of electronics is by all yardsticks a blue chip investment.

ISSUE HIGHLIGHTS

- Maiden issue from successful Suchitra Group
- A sophisticated plant for B&W TV picture tubes.
- Proven technology, know-how and turn key assistance from pioneers – Bharat Electronics Limited
- Assured market in high growth area of electronics
- Project ahead of schedule by 12 months – cost saving of about 10% likely
- Break Even Point as low as 45%
- Eligible for backward area concessions and subsidies
- Easy liquidity – listing on Hyderabad, Bombay, Delhi, Ahmedabad and Bangalore stock exchanges
- 80 CC (applied for) and Wealth Tax Benefits

MANAGERS TO THE ISSUE
State Bank of India
Merchant Banking Division
Central Office
New Administrative Building
Madame Cama Road
Nariman Point
Bombay 400 021

The Industrial Credit and Investment Corporation of India Limited
Merchant Banking Division
163, Backbay Reclamation
Bombay 400 020

Indian Bank
Merchant Banking Division
Zonal Office, Secretariat Road
Hyderabad 500 004

ADVISORS TO THE ISSUE
Enam Financial Consultants Private Limited
11, Stock Exchange Towers
Dalal Street, Bombay 400 023

STL SUCHITRA Tubes Limited
Jeedimetla, Hyderabad 500 855

Issue Opens on 16th April, 1986.

Suchitra – A vision of growth and prosperity.

Sobhagya-H/STL/86-5

BusinessWorld
April 14—27, 1986

crease in average per capita wages. In real terms, the average 1984 wage, Rmb 974, represented an increase of about 32%, while rural incomes, of which a substantial portion is private plot production, was less affected by price increases. In current renminbi terms, the ratio of urban to rural average per capita incomes dropped from 4.58:1 in 1978 to 2.74:1 in 1984.

The leadership has yet to fully convince urbanites that higher prices are a necessary and acceptable trade-off for more food, of better quality and more variety. Even those whose incomes have increased substantially recall the price of pork in 1975 better than the queues they stood in to get it. The leadership is therefore committed to completing wage reform, which has so far been confined to teachers and other public employees, before further price-reform moves which significantly affect urban retail prices.

Reducing the tax burden and increasing the level of retained depreciation funds for large and medium-sized state enterprises is intended to equalise some of the advantages of the collective sector and to remove inequities in the current tax system. The recent performance of large and medium state enterprises has been lacklustre in comparison to more dynamic collectively managed rural industries, which operate relatively free of red tape and interference from state planning departments, but also enjoy significant tax advantages over state sector enterprises as well.

In addition, new rural enterprises have enjoyed complete exemption from taxes for periods of one year or more, the value of which has been maximised by rural enterprises which expanded by hiving-off new enterprises. Given China's primitive auditing system, it is also likely that collective enterprises have found it easier to evade taxes than state enterprises, if only by virtue of their much greater numbers. In 1984, collective enterprises numbered 352,100, of which 217,200 were township enterprises versus 84,100 state-owned enterprises, according to government statistics.

The overall effect has been that collective enterprises have found it easier to accumulate investment funds internally than state enterprises; and within the state neither reflect the relative developmental priorities of economic planners, nor represent the enterprises that would succeed best in a more equitable tax environment.

Robert Delfs
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

LETTER FROM AMSTERDAM — LAURA RAUN

The compact disc revolution

A silvery compact disc hangs on the horizon in the pre-dawn glow. "The rising sun of Philips," reads the advertisement. "The compact disc—a pure Dutch invention—has become a worldwide success."

The Dutch electronics company is indeed happy with its compact disc. The company reported on 20th March that booming sales had put its consumer electronics division in the black and that production was being sharply increased.

Plunging prices. Compact disc players are also selling like hot cakes and Philips claims as much as one-quarter of the rapidly expanding $1.38 billion (Rs. 1,656 crores) world market. But prices for the players are plunging.

Launched in 1982 by Philips and Sony, as a new kind of hi-fi record, the success of the compact disc has seen the world market for players double annually over the past couple of years. Growth will slow to 30% this year and only 10% next year, due to the price fall.

This has prompted Philips to look in new directions. It hopes to increase sales with a new compact disc player for cars, and a portable compact disc player to be introduced in May. A combination audio-video player is to be launched next year.

When coupled with a computer, the professional compact disc system offers tremendous storage capacity—one disc stores 200,000 pages of text—with high accuracy and durability. The drawback is that current generations can only read back information stored by the disc maker, such as encyclopaedias or catalogues. New generations will allow limited recording.

Philips has reached a number of agreements with foreign companies to expand and speed up the development of the technology.

- It has recently reached a standardisation agreement with Sony of Japan, which helped the Dutch company originally in developing the compact disc. The agreement sets standards for the "interactive," or two-way, use of compact disc systems, which will be available by next year. In addition to playing music, these systems can also be linked to personal computers for retrieval of information.
- A joint venture has been set up with Kyocera of Japan to develop and market worldwide these two-way systems, designed for home use. This 50-50 joint venture not only aims to expand compact disc applications, but also to further Philip's ambitious goal of establishing a foothold in Japan for tackling the Asian and US markets. The Eindhoven-based company wants Asia to contribute one-quarter of total sales by 1991 and hopes to capture up to 5% of the Japanese market by that time.
- Late last year, Philips launched a joint venture with the US chemicals concern Du Pont, which manufactures optical discs for use in audio players, computer-linked storage systems and video players such as Philips' laservision. Demand is growing fast for optical discs in music publishing, data storage and video display and Philips and Du Pont think the market will be worth $4 billion by 1990.
- The joint venture with Control Data, the US computer maker known as Optical Storage International (OSI), has been widened. This four-year-old collaboration makes optical disc storage systems that file away information for archival use by businesses such as publishers and law firms. OSI believes the optical storage market could surge to as much as $1 billion this year.

One of the primary challenges facing Philips and its competitors such as Sony, Matsushita and Xerox, is to develop new generations of optical systems that will allow changes in the stored information. Within several years, Philips plans to have a compact disc system in which the user himself puts his own data on a disc and then retrieves it. The information can only be filed once, however, with no changes later and there are no plans to develop a continuously updated system.

Great value. OSI is working on a disc drive that allows erasure and re-recording. The ability to alter records is believed to be of great value for professional users such as hospitals and law firms. Feeding into OSI will be the Du Pont venture which plans to quadruple compact disc output to 200 million a year by 1990. The two partners expect to have invested more than $500 million by that time and to spend $60 million annually on research and development.

PHILIPS

PHILIPS

For 25 years we've built audio communication systems for industry.

The best of these now become our standard.

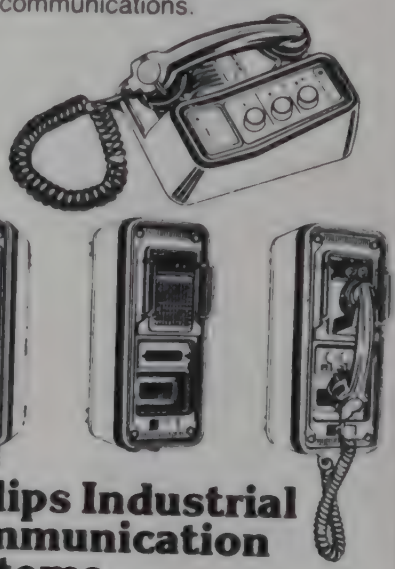
When an industry relies heavily upon speedy and intelligible communications selecting the correct communication system is of utmost importance

Philips, with 25 years' experience in building audio communication systems for India's heavy industries, now offer you a versatile system that meets the needs of your industry.
It comes in the form of 5 types of stations which can be configured to suit your requirement. Its modular configuration, distributed amplifier and parallel cabling methods enable you to start with a small system and build it up as your industry grows

This 2-channel communication system provides special facilities useful in industrial set-ups. Electronic switching and modular construction ensure high system reliability and reduced down time. Advanced technology ensures every station is compact, sturdy and corrosion resistant in order to withstand hostile environmental conditions.

And when you buy Philips, you get the expertise of the leader in the field of audio communications.





Philips Industrial Communication Systems

Yes, I'd like more information on the Philips Industrial Communication System. BW

Name:_____

Designation:_____

Company:_____

_____

Address:_____

_____

Phone:_____

Please send to:
Philips India, ELA Dept.,
Block 'A', Shivsagar Estate,
Worli, Bombay-400 018.

CLARION/B/P/172/244

Philips – the trusted Indian household name for over fifty years

COMMODITIES

Seven sisters cutback

■ In the light of falling prices and an uncertain future for the prices of crude oil and petroleum products, oil companies the world over are trimming their budgets to stay afloat. The world's largest oil company, the US-based Exxon Corporation, has cut its capital expenditure budget for 1986 by 26% from $10.6 billion (Rs. 12,720 crores) to $8 billion. The cuts are mainly in the area of exploration which, given the current level of crude oil prices, is not a profitable activity. Exxon, whose net profit fell by 12% to $4.87 billion (Rs. 5,844 crores) in 1985 *cf.* $5.53 billion in 1984, and whose revenue fell by 42% to $93.21 billion in 1985 *cf.* $160.7 billion the previous year, has also undertaken a major corporate restructuring exercise as part of its cost cutting drive. In one such move, all its regional affiliate offices with the exception of its 70% owned Canadian affiliate Imperial Oil, will be closed down and replaced by a new international company based in New Jersey, to which all of Exxon's worldwide subsidiaries will report. Large-scale layoffs are also anticipated.

Likewise Chevron Corporation, another major oil company, has also cut its capital and exploration budget for 1986 by 30%, from $5 billion to $3.5 billion.

MANAGEMENT

Cadbury's unique sale

■The UK-based manufacturer of confectionary and soft drinks, Cadbury Schweppes (sales: $2.6 billion or Rs. 3,228 crores in 1984), has sold its food and beverage interests to its own management in a deal aggregating to £97 million (Rs. 165 crores). The sale puts an end to the numerous offers which were made when the division was put up for sale early this year. It had attracted the interest of companies such as Allied Lyons, the food and soft drinks manufacturer, which offered £100 million for the division. Another manufacturer of food products, Ranks Hovis McDougall, was also in the fray with an offer of £95 million. Consequently, the management of Cadbury Schweppes raised its original offer of £82.5 million to £97 million, which was accepted.

The company justified the acceptance of the slightly lower offer by the management team on the grounds that it wished to protect the brand names of its food and beverage products. These include such famous products as Cadbury's cocoa, on which the Cadbury business was founded 155 years ago; Smash instant potato; Marvel powdered milk substitute; Typhoon tea; and Chivers Hostley jams.

BANKING & FINANCE

Barclays' Visa

■The UK-based Barclays Bank (assets: $82.25 billion or Rs. 98,700 crores in 1984) has taken over the Visa travellers cheque operations of the | New York-based Chase Manhattan Corporation (assets: $86.88 billion or Rs. 1,04,256 crores in 1984). According to British newsreports, the management of Chase Manhattan put its travellers cheque operations up for sale after having decided to pull out of this line of business. The price of the deal is as yet undisclosed.

With this takeover, market analysts believe that Barclays' share of the $40 billion a year world travellers cheque market will increase from 9% to 14%, making it the third largest issuer of travellers cheques. The other two major competitors—American Express and Thomas Cook—control 40% and 15% respectively of the world market.

BRITAIN

LME bans tin

■ The London Metal Exchange (LME)—the world's leading metals market—has announced that it will no longer trade in tin, and that all outstanding contracts will be settled at a fixed price of £6,250 (Rs. 75,000) per tonne. This ends months of speculation since 24th October 1985, when the LME halted tin trading after the International Tin Council (ITC) stopped cash support operations, having accumulated gross liabilities of £900 million(Rs. 1,530 crores). Tin has been traded on the LME for more than 100 years.

The decision was taken after talks of a rescue package between the ITC and its creditors broke down. The member countries of the ITC refused to back proposals requiring them to contribute money to a rescue venture to take over the ITC's liabilities in the markets. An SOS to the UK government for a unilateral bail-out was rejected.

As a consequence of the LME move, traders in the world metals market will lose £300 million and banks who have lent the ITC money will lose another £100 million. In addition, the LME faces lawsuits from brokers and others in the tin trade who charge that the LME's board and committee have exceeded their powers.

TAIWAN

Too much money

■ Have you ever heard of a country suffering from a glut of money? Well, Taiwan is suffering from this strange disease. It is the only one among developing countries to be in this fix, which is wreaking havoc on its economy.

Taiwan's foreign exchange reserves are the third largest in the world — after Japan and West Germany — having ballooned from $9.1 billion (Rs. 10,800 crores) in 1982 to $23 billion at present. The trade surplus was $10.6 billion in 1985, shooting up from $1.4 billion just four years ago. With a tradition of savings (34% of its GNP) and a low loan demand — deposits are growing at an annual rate of 23% while loans are increasing only by 6.4% — Taiwan has too much money and no way to use it.

Banks are finding it expensive to accept large and long-term deposits, as the interest they will have to pay will not be offset by interest earnings because of the decline in lending. So acute is the problem that unlike in other countries where banks vie with each other for deposits, banks in Taiwan are haggling with their customers to shorten the duration of their deposits, and to accept lower interest rates.

MERGERS

Elders pulls out

■Elders IXL, the Australia-based brewing and farming company, has temporarily halted its bid to take over the UK-based food and drinks company, Allied Lyons plc (AL), by selling its 6% stake in the company. Elders' spokesmen assert that the sale, at a time when AL's share prices are high and rising, does not put an end to its interest in the British company. Rather, Elders will wait till the share prices settle before pursuing the bid.

Elders' £1.8 billion takeover bid for AL, announced last October, has provoked controversy. AL—several times the size of Elders—pointed out that the bid was made possible only by a £1.2 billion loan package from a consortium of eight international financial institutions, and claimed that Elders' attempt to take over a healthy company was unethical. The bid, which has now formally lapsed, was referred to the Monopolies and Mergers Commission in the UK.

KEC

Promising outlook

KEC International Ltd., the well-known Bombay-based engineering company (originally known as Kamani Engineering Ltd. and now part of the R.P. Goenka group), is all set to cross the Rs. 100 crore sales turnover milestone during its current financial year ending 30th September 1986.

The company has already secured fresh orders valued at about Rs. 40 crores during the current year. Moreover, it has submitted a large number of tenders and the management is hopeful of realising sizeable orders from these tenders. Besides this, the company's turnkey project in Nepal is expected to be completed soon. It has also bagged a turnkey contract to set up a 220 Kv conductor line in Libya.

The company, which is well entrenched in the transmission line towers manufacturing and erection business, is now diversifying its activities by entering into the manufacture of special purpose cement. It has already secured a letter of intent for promoting a Rs. 67 crore project in the Nagaud district of Rajasthan for the manufacture of oil well cement as well as other special purpose cements. And for this purpose, a technical collaboration is to be finalised shortly with Nihon Cement Co., Japan.

HARRISONS MALAYALAM

Sustained improvement

Harrisons Malayalam Ltd. — the Cochin-based FERA company which is primarily engaged in the plantation business including tea, rubber, cardamom and cocoa — has fared quite well during the financial year ended 31st March 1986.

Though the accounts of the company are under audit and it will take some time before they are finalised, it is reliably learnt that its sales turnover has increased by 20% over last year's figure of Rs. 69 crores. Likewise, the gross profit of the company has improved by 15% from Rs. 20.56 crores recorded in the previous year (1984-85).

Shareholders who had received an attractive dividend of 25% in the previous year on the doubled capital (on account of a 1:1 bonus issue), can expect an even higher dividend for 1985-86. This follows the sustained improvement in sales and profits and the encouraging outlook for the current financial year which commenced on 1st April 1986.

In particular, the recent spurt in rubber prices will go a long way in improving the profitability of the company. The air cargo and inland container agency division is also doing very well and is expected to contribute sizeably to the company's profitability during the current year.

GARWARE POLYESTER

Excellent prospects

The current year (1st July 1985-30th June 1986) prospects for the Aurangabad-based Garware Plastics & Polyester Ltd. are highly promising.

The company is doing very well in its new product lines. The sun control protective film introduced a year ago has been well received in the market and consequently the company is planning to step up the production of this product. Similarly, the company's range of moulded luggage, which it introduced in eastern India recently, has been selling extremely well.

Encouraged by these developments, the company is now implementing its video tape project which will go on stream later this year. Besides, the floppy discs project, for which the green signal has already been received from New Delhi, is scheduled to be implemented next year.

Meanwhile, the company's financial performance during the current year is expected to be extremely good. Sales turnover is expected to increase by about 40% from the Rs. 55 crores recorded last year and the profit at the gross level is expected to move up by at least 25%. Although the prospects for a bonus issue are quite good, the management may instead prefer to raise the dividend for the current year by 2%-4% and delay the bonus issue for some time in view of the company's expansion and diversification programmes.

Companies this fortnight

(Rs. crores)

	KEC International (year ending September)			Harrisons (year ending March)			Garware Polyester (year ending June)		
	1983	1984	1985	1983	1984	1985	1982	1984*	1985
Sales	69.74	78.09	83.79	33.12	44.39	69.10	31.82	59.53	54.96
Gross profit	4.44	2.69	2.74	6.70	17.27	20.56	1.49	6.96	7.18
Paid-up capital	3.27	3.27	5.12	3.00	3.25	6.50	5.81	5.81	5.81
Reserves	21.19	23.25	25.39	4.16	8.43	11.46	5.09	6.65	13.35
Gross fixed assets	17.67	18.57	19.26	10.16	13.14	16.10	26.71	36.49	43.43
Dividend (%)	20.00	12.50	12.50	20.00	30.00	25.00	14.00	24.00	18.00
Earnings per share (Rs.)	10.00	4.00	3.00	7.83	17.79	11.75	2.57	5.08	5.77
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 28th March 1986 (Rs.)			24.00			54.00			82.00

** — 18 month 'year'*

MANAGEMENT STUDIES

Biz-Quiz '86

Biz-Quiz '86. *BusinessWorld* has yet another first to its credit. It is the only business magazine to have sponsored a first-of-its-kind inter-management institute quiz competition. On 25th March, coinciding with *BusinessWorld*'s fifth anniversary, the Biz-Quiz '86 was held at the Sydenham College auditorium in Bombay. It was compered by Dilip Thakore, the editor of *BusinessWorld*, and the chief guest was Dilip Piramal, chairman of Blow Plast Ltd.

Eight of the most well-known business management educational institutes in Bombay offering degree courses in management studies, participated in the competition. In a close contest the Sydenham Institute of Management Studies (SIMS) emerged the winner with a score of 120 points, followed by the S.P Jain Institute of Management with 100 points, and the Jamnalal Bajaj Institute of Management Studies with 55. Consequently, the huge *BusinessWorld* Biz-Quiz Rolling Trophy was presented to the SIMS team by Dilip Piramal. The winning team and the two runners-up were also presented with book coupons by India Book Distributors; and a one year subscription of *BusinessWorld*. All the individual members of the team were also awarded certificates of participation.

The Biz-Quiz '86 was organised by the Sydenham Institute of Management Studies, which offers the DBM (diploma in business management), DEM (diploma in entrepreneurship management) and MMS (master in management studies) courses. Several eminent names from within the business fraternity such as Tarun Gupta, vice president (pharmaceuticals), Sandoz (India) Ltd.; V.R. Navelkar, vice president (marketing), Warner Hindustan Ltd.; and Siddhartha Sen of Hindustan Lever Ltd.,constitute the faculty of the institute.

The *BusinessWorld* Biz-Quiz is scheduled to be an annual event.

PEICO ELECTRONICS

Profit plunge

Peico Electronics & Electricals Ltd., the Bombay-based company which manufactures the famous Philips brand of electronic and electrical equipment, has recorded disappointing financial results for its year ended 31st December 1985. Though the company's sales turnover has risen by 13.6% to Rs.255.62 crores from Rs.225.02 crores in the previous year, gross profit has declined by a substantial 52% to Rs.4.84 crores in 1985 from Rs.10.04 crores in 1984 and profit after tax at Rs.3.04 crores is also 34.5% lower than the Rs.4.64 crores accounted for in 1984. Reportedly, the pre-tax profit of the company was a mere 1.9% of sales in the recently concluded year *cf.* 4.5% in 1984. Consequently, the board of directors proposes to pay a lower equity dividend of 15% *cf.* 20% paid in 1984.

HOECHST INDIA

Impressive results

Hoechst India Ltd., the Bombay-based pharmaceuticals giant, has reported good working results in its year ended 31st December 1985. Sales turnover has risen by an impressive 40.7% to Rs.140.8 crores from Rs.100.1 crores in the previous year, and pre-tax profit too has increased by a substantial 34.7% to Rs.6.6 crores from Rs.4.9 crores.

Meanwhile profit after tax has increased to Rs.5.9 crores from Rs.5.2 crores over the same period. Consequently, the board of directors has proposed to step up the equity dividend to 20% *cf.* 17% paid in 1984.

ASIAN PAINTS

Good show

Asian Paints (India) Ltd., the premier paint manufacturing company in India, has chalked up very good working results in its year ended 31st December 1985. Sales turnover has recorded a growth of 27%,moving up to Rs.145 crores in 1985 from Rs.114 crores in 1984 while pre-tax profit has increased by 23% to Rs.13.10 crores in 1985 from Rs.10.66 crores in the previous year. Similarly, profit after tax has also shot up by a substantial 57% to Rs.8.45 crores from Rs.5.36 crores during this period. Consequently, the board of directors has proposed an equity dividend of 30% (same as last year) on an enhanced capital base consequent upon the recent bonus issue in the ratio of 3:5.

Meanwhile, the final phase of the company's new paint manufacturing project at Patancheru (Andhra Pradesh) is expected to be completed by the end of the current year. Work is also progressing on schedule at its pentaerythritol and sodium formate manufacturing plant which has been promoted in the joint sector with the Tamil Nadu Industrial Development Corporation Ltd. Asian Paints has also received a letter of intent to manufacture 9,000 tonnes per annum of phthalic anhydride — an important intermediate used in the manufacture of paints. The project will incorporate the Von Heyden low process technology, and the engineering package will be provided by David Mckee, West Germany. The plant is proposed to be set up at Ankleshwar (Gujarat), at a capital investment of around Rs.21.5 crores.

KICL

Disappointing performance

Kothari Industrial Corporation Ltd. (KICL), the well-diversified Madras-based company which is *inter alia* engaged in the production of tea, yarn, cloth and heavy chemicals, has declared its financial results for its year ended 30th June 1985. Though the sales turnover of the company has recorded an improvement of 14.2% to Rs.69.20 crores in 1984-85 from Rs.60.60 crores in 1983-84, profit before interest and depreciation has been lower at Rs.6.62 crores in 1984-85 *cf.* Rs.7.54 crores in the previous year, i.e. by 12%.

According to a KICL press release, the company's distributable profit of Rs.97.33 lakhs in 1984-85 has been arrived at by calculating depreciation on a single shift basis. But now, the department of company affairs stipulates that the depreciation should be calculated on a multiple shift basis. Consequently, though KICL paid an equity dividend of 12% in 1983-84, it has decided to skip the same in the recently concluded year.

ICIM

New link up

International Computers Indian Manufacture Ltd. (ICIM), the Pune-based computer manufacturing company, has announced its financial results for the 15 month period ended 31st December 1985. The company has recorded a sales turnover of Rs.39.31 crores (Rs.26.28 crores in the previous 12 months) and a gross profit of Rs.3.64 crores (Rs.3.04 crores). The board of

directors has declared an equity dividend of 20% *cf.* 16% for the previous 12 month period.

The company has recently tied up with Centronics Data Computer Corporation, USA (estimated sales: $200 million in 1985), to manufacture the latest Centronics lineprinter models — linewriter series 400 and 800 — in India. Reportedly, Centronics is the largest printer manufacturing company worldwide and it is the first time that it has collaborated with an Indian company. Apart from combining these new lineprinters with its own computers, ICIM will also market them on an OEM basis to other computer manufacturers.

RELIANCE

Higher dividend

It's been another very satisfying financial year for the Bombay-based Reliance Industries Ltd., the fastest growing company in Indian corporate history. In its recently concluded accounting year ended 31st December 1985, Reliance has posted impressive increases in sales and profits. Net sales have increased by over Rs.100 crores from Rs.604.27 crores in 1984 to Rs.711.35 crores in 1985 — a growth of 17.7%. Similarly, the company's gross profit has increased by 26.9% from Rs.85.72 crores to Rs.108.80 crores, while its net profit has spurted by 28.5% from Rs.55.52 crores to Rs.71.34 crores during the period under review.

Consequently, at the board meeting of the company held in Bombay on 4th April — which was presided over by Ramnikbhai H. Ambani, joint managing director, in the absence of chairman and managing director Dhirubhai H. Ambani — it was decided to hike the equity dividend from the 40% paid in 1984 to a record 50%.

Meanwhile Reliance, which recently commissioned its 45,000tonnes per annum polyester staple fibre plant,has taken up projects valued at a massive Rs.900 crores, for implementation. These include plants to manufacture purified terepthalic acid (PTA), linear alkyl benzepe (LAB), mono ethylene glycol (MEG), high density polyethylene (HDPE), and poly vinyl chloride (PVC) Therefore the company's turnover during the current year ending 31st December 1986 is expected to cross the Rs.1,000 crore mark.

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
World Link Finance	E	14.4.86	1.20	Long-term working capital
Empire Leasing & Consultancy	E	15.4.86	0.60	Long-term working capital
Suchitra Tubes	E	16.4.86	2.52	Part financing of TV tube project
Navalco (India)	E	16.4.86	0.30	Part financing of aluminium rolled products project
Raasi Finance	E	16.4.86	2.40	Long-term working capital
Mangalam Timber	E	16.4.86	4.36	Part financing of medium density fibre project
Punsumi India	E	21.4.86	0.61	Part financing of aluminium electrolytic capacitors
Galaxy Power Cables	E	23.4.86	1.00	Part financing of cable and wires project
Oriental Containers	E & CD	23.4.86	1.88	Expansion and modernisation

E=Equity, face value Rs.10 *CD=Convertible debentures, value Rs.120*

PEOPLE & PLACEMENTS



K.M. SHENOI has been appointed executive director of the United Commercial Bank, Calcutta.



C.R. SELBY has taken over as chief executive officer (India) of the Hongkong & Shanghai Banking Corporation.



ARVIND R. DOSHI has been elected chairman of the Association of Indian Engineering Industry.



R.C. MALHOTRA has taken charge as a chief general manager of the State Trading Corporation of India Ltd., New Delhi.



A.C. MAJUMDAR has been appointed director (personnel) of Andrew Yule & Co. Ltd., Calcutta.



V. RAJAGOPALAN has been appointed the Madras-based general manager (machinery division) of Elof Hansson (India) Pvt. Ltd.



R.K. GUPTE has been appointed executive director of the Bank of Maharashtra.

The gilt of platinum

Precious metal prices have emerged from a protracted period of depression in the world market lasting two years. The turn for the better is distinctly encouraging and has led the leading bullion houses of Europe to forecast brighter prospects for this year. This is good news for bullion buffs in this country as well, considering that trends in the value of precious metals are closely inter-connected the world over. Besides, while international prices of gold and silver were still depressed, the prices of these metals in India had tended to firm up over the past two years. Now, with the international prices also having firmed, bullion prices in this country too are likely to record further appreciation.

The tide for bullion prices in world markets began to turn at the beginning of the current year. Gold prices fluctuated by a wide margin of 11.4% in London during January with the average price rising by 7.3% over December. This upswing was distinctly registered by the German trader Degussa's precious metals index which, with its base of January 1977, showed that gold values had risen 17.9 points to 261.2 during January this year and silver 3.9 points to 137.7. By mid-March this year, gold prices in London had improved to $354.25 per ounce — up $70 from last year's low of $284.7. Silver was fairly steady at 382.55 pence per ounce.

Strong influence. A set of diverse and unconnected developments which have nonetheless exerted a strong influence on world prices of bullion and particularly of gold, have induced the current upsurge in bullion values. The most important among these is the growing budgetary deficit of the US. Although a feature of the Reagan administration's public finance policy, the US budgetary deficit has continued to grow unabated and now has impaired the seemingly impregnable strength of the US dollar. The dollar has suffered, at the same time, due to the concerted action on the part of European central banks to raise interest rates and bolster their currencies. As gold has a strong correlation to the dollar, the latter's loss of value has meant a gain in the former's price.

While the American financial scenario and the European central banks' move to support local currencies have contributed in a big way to the upsurge of gold prices, the recent industrial unrest in South Africa has also shrunk the supply of this precious yellow metal into world markets. South Africa is one of the two largest gold producing countries in the world (the other being the Soviet Union) and the principal source of free market supplies. The industrial unrest in that unfortunate nation, moreover, has adversely affected fresh mining of precious metals, including platinum.

A third factor behind the rise in gold prices is the slump in the price of crude oil. There is some evidence to indicate that a flight of investible resources in favour of gold has occurred in the international markets although there is also the possibility that oil producing countries such as the Soviet Union may be disgorging gold stocks to meet the shortfall in balance of payments which the fall in oil prices has created.

But more than gold, it is platinum which has shot into prominence, particularly because of the political unrest in South Africa. From its low quotation of $237 per ounce in March last year, the market price of this metal has gained ground to $342.25 at the close of 1985.

'In the opinion of Alan Davidson of Shearson Lehman Bros., platinum prices could well appreciate this year to as much as $500 per ounce *cf.* the current price of $380. This estimate made on the basis of an anticipated shortfall in supplies...'

With strikes in the South African mines dislocating supplies, the price of platinum appreciated further to $378.25 per ounce in London during February this year by which time it had more than closed the discount of $50 per ounce in relation to gold, converting it to a premium of $25. Current estimates are that this premium will double to $50 in the short run.

With platinum prices riding high, it is scarcely surprising that established international bullion firms such as Shearson Lehman Bros. and Degussa have been recommending investment in platinum rather than in gold. These firms forecast that gold prices may eventually rise to $380-410 per ounce later this year compared to the current quotation of $355. But they expect platinum to maintain its lead and appreciate at a faster rate.

This is because platinum is relatively more vulnerable than gold to the possible effects of prolonged political unrest in South Africa. The nation accounts for some 84% of the West's supply of platinum which totalled 2,750 million ounces in 1984, according to Johnson Matthey, the precious metals marketing group. Apart from South Africa, the biggest producer of platinum, again, is the Soviet Union. But Soviet sales have been unpredictable, varying greatly from year to year. Last year, they had aggregated to 250,000 ounces or just about a third of the peak level sales of 700,000 ounces in the mid-seventies.

Growing demand. In the opinion of Alan Davidson of Shearson Lehman Bros., platinum prices could well appreciate this year to as much as $500 per ounce *cf.* the current price of $380. This estimate made on the basis of an anticipated shortfall in supplies because of the unrest in South Africa, is supported by a growing demand for platinum in the western countries particularly from automotive vehicle manufacturers who buy about a third of the total supply of the metal each year for use in catalytic converters in exhaust systems. This demand for the metal is expected to spill over from the US and Europe to Japan and South Korea. According to two West German bullion firms, platinum's fundamentals are weighted strongly in favour of demand outstripping supplies by up to 25% by the end of this decade.

Platinum is thus likely to emerge as the most promising precious metal of this decade. This prognosis may not appear to mean much for investors in this country. But this belief is erroneous. Although platinum is not mined in India (neither is gold in appreciable quantity), like gold, platinum can also be purchased in the form of ornaments from any established jeweller. The trouble with platinum is that it looks much like silver but costs as much as gold. But since it does not glitter like gold, purchasers of ornaments prefer their jewellery to be made of gold.

But, since there is a legal ban on people in this country buying gold other than in the form of ornaments, like investment in gold, investment in platinum can also only be made by way of purchase of jewellery made of this metal. And just in case it helps people to get over their preference for gold, it may be said that certain jewellery, particularly diamond studded ornaments, is better set in platinum than in gold. Also, in resale, like gold, the domestic prices of platinum fluctuate in congruity with international prices.

Thus given more favourable prospects for platinum, it is time that investors in precious metals started taking a long hard look at this silvery metal instead of concentrating their attention only on gold.

Artymon

Smart recovery

The equities on Indian stock exchanges recovered smartly during the fortnight ended 4th April following the announcement by the finance minister of his decision to restore s. 80M of the Income Tax Act and permit the continuation of tax concessions for inter-corporate dividends which had been withdrawn in the Union budget proposals for 1986-87. Besides the lower contango charges at 18% per month, the buying support extended by the public financial institutions in the case of select scrips also aided the upward trend in share prices.

Confirming the bullish trend in equities, the Bombay stock exchange's sensitive index moved up by 17.3 points (3%) from 572.97 on 24th March to 190 on 4th April. Similarly, the *Financial Express* and *The Economic Times* (*ET*) equity indices also spurted by 11% to 352.11 and 9.43% to 513.6 respectively during the fortnight under review.

The highlight of trading during the fortnight was the smart rise in the value of the Premier Automobiles scrip by Rs. 55 (8.73%) to Rs. 685 which was largely on account of heavy purchases made by company circles.

Among the various sectors, iron and steel equities were distinctly firm with the *ET* index for these scrips jumping by 270 points (19%) to 1684.5 during the fortnight. Tata Steel, the trend setting scrip, was in the limelight in view of its record steel production for the year ended 31st March 1985.

Man-made fibre equities also showed an upward trend on hectic bear covering coupled with investment inquiries. Consequently the *ET* index for these scrips rose by 11.85% to 869.5. Cotton textile equities too were in demand, with the *ET* index for these scrips moving up from 261.8 to 286.9 during the fortnight under review.

Further, in keeping with the general uptrend in the market, fertiliser shares also gained ground and the *ET* index for these scrips rose by 14.11% to 761.1.

In sharp contrast, however, plantation equities were depressed in the absence of fresh speculative support.

"The restoration of the concession under s. 80 M of the Income Tax Act,1961 which had been withdrawn in the Union budget,will usher in a phase of consolidation in the market. Now investors who were sitting on the fence will slowly and surely re-enter the market. Therefore equity prices are likely to show a steady to better trend for sometime to come," observes Deven Malkan, the commercial editor of *Indian Express*.

S. Dhruv

BOMBAY	1985					
Name/Industries	Price range High	Low	Dividend per share	Opening 24-3-86	Closing 4-4-86	Yield
1	2 (Rs.)	3 (Rs.)	4 (Rs.)	5 (Rs.)	6 (Rs.)	7 %
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	330.00	357.00	4.2
Bombay Dyeing (25)	156.00	63.00	1.75*	79.00	84.00	2.1
Century Spg (100)	1530.00	805.00	24.00*	1230.00	1340.00	1.8
Century Enka (100)	1240.00	600.00	34.00	1040.00	1050.00	3.2
Garware Nylon (10)	64.00	24.50	1.80	37.00	42.00	4.3
Gwalior Rayon (10)	88.00	53.50	2.20	61.00	73.00	3.0
Indian Rayon (10)	144.00	65.00	2.40	103.00	117.00	2.1
JK Synthetics (10)	118.00	61.70	1.50	93.00	114.00	1.3
Mafatlal Ind (125)	400.00	235.00	22.00	365.00	366.00	6.0
Nirlon (10)	73.00	37.00	2.25*	55.00	50.00	4.5
Reliance Ind (10)	252.00	121.00	4.00	302.00	313.00	1.3
S. I. Viscose (100)	285.00	170.00	15.00	175.00	173.00	8.6
Standard Mills (100)	475.00	272.00	12.00	390.00	410.00	2.9
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	170.00	170.00	11.8
Ballarpur (10)	68.00	43.00	2.20*	52.00	57.00	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	28.00	31.00	...
Jayant Paper (10)	28.00	13.50	2.00	20.00	20.00	10.0
Orient Paper (10)	101.00	59.00	2.00	90.00	90.00	2.2
Steel						
Mukand (10)	54.00	21.75	N.A.	33.50	37.00	...
Tata Steel (100)	1256.00	379.50	21.00	1100.00	1320.00	1.6
Zenith Steel (10)	78.00	27.50	2.50	69.00	75.00	3.3
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	18.00	18.50	...
Ferro Alloys (100)	275.00	125.00	12.50	256.00	275.00	4.5
Hindustan Alum (10)	94.00	51.00	1.35*	84.00	93.00	1.5
Mahindra Ugine (10)	49.00	27.00	N.A.	29.00	32.00	...
Engineering						
Antifric Bearings (10)	50.00	21.50	1.40	20.75	20.25	6.9
Associated Bearing (100)	800.00	435.00	20.00	740.00	746.25	2.7
Atlas Copco (10)	72.00	35.00	1.20	73.00	74.00	1.6
Bharat Forge (10)	90.00	29.00	1.80*	58.00	62.00	2.9
Bharat Gears (10)	60.00	27.50	1.80	35.00	35.00	5.1
Blue Star (10)	82.50	32.50	2.00	75.00	85.00	2.4
Elecon (10)	108.00	54.50	1.70	86.00	90.00	1.9
Greaves Cotton (100)	350.00	202.50	17.00*	300.00	292.50	5.8
Hind Lever (10)	128.00	50.75	2.40	128.00	150.00	1.6
Ingersoll Rand (10)	365.00	159.00	3.50	392.50	440.00	0.8
KEC Int (10)	40.00	24.00	1.25	24.00	25.00	5.0
Kinetic Engg. (10)	380.00	128.00	2.50	240.00	272.50	0.9
Kirloskar Cummins (100)	753.50	500.00	15.00	547.50	572.50	2.6
Kirloskar Oil (10)	36.00	19.50	1.25	16.00	16.50	7.6
Larsen & Toubro (10)	193.00	72.00	2.40	162.00	179.00	1.3
Mahindra & Mahindra (10)	102.00	47.50	1.80*	54.00	60.00	3.0
Otis Elevator (10)	215.00	85.00	2.50	88.00	110.00	2.3
Premier Auto (100)	650.00	310.00	21.00	575.00	650.00	3.2
Pressure Cookers (10)	49.00	25.00	1.90	40.00	38.00	5.0
Tata Engg. (100)	1030.00	406.00	23.00	590.00	576.00	3.4
Voltas (100)	470.00	358.00	10.00*	280.00	275.00	3.6
Automobiles						
Bajaj Auto (100)	2075.00	856.00	30.00	2200.00	2300.00	1.3
Bajaj Tempo (10)	280.00	143.00	2.50	245.00	122.50	2.0
Escorts (10)	102.00	45.75	2.20	76.50	84.00	2.6
Motor Industries (100)	815.00	321.25	15.00	610.00	740.00	2.0
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	210.00	210.00	4.8
Bajaj Electricals (100)	340.00	115.00	20.00*	550.00	590.00	3.4
Bharat Bijlee (100)	300.00	105.00	16.00	437.50	440.00	3.6
Crompton Greaves (100)	350.00	257.50	10.00	295.00	280.00	3.6
Peico Electronics (10)	103.00	38.50	2.00	54.00	56.00	3.6
Siemens India (10)	87.50	38.00	1.40	72.00	80.00	1.8
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	N.A.	50.00	24.0
Bayer (100)	480.00	320.00	18.00	N.A.	505.00	3.6
I.E.L. Ltd. (10)	80.00	32.70	2.00	65.00	73.00	2.7
Colour-Chem (100)	335.00	185.00	12.00*	267.50	275.00	4.4
Cynamid (10)	80.00	35.00	25.00*	80.00	71.00	35.2
Glaxo (10)	75.00	23.75	1.80	65.50	73.50	2.4
G S F C (100)	895.00	534.00	24.00	1235.00	1385.00	1.7
Herdillia Chem (10)	67.00	25.50	1.80	43.00	43.00	4.2
Mafatlal Dyes (10)	33.00	23.50	1.70	29.00	29.00	3.9
Mangalore Chem (10)	50.00	19.50	N.A.	54.00	58.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	280.00	310.00	5.2
Indian Organic (10)	141.00	50.25	18.00*	65.00	73.00	24.7
Pfizer (10)	100.00	39.00	2.00	84.50	86.00	2.3
Polychem (50)	181.00	60.00	10.00	107.50	107.50	9.3
Sandoz (10)	80.00	31.00	1.40	75.00	75.00	1.9
Sandvik Asia (100)	575.00	340.00	10.00	690.00	675.00	1.5
Tata Chem. (10)	155.00	64.50	2.50	84.00	103.00	2.4
Warner Hind (10)	75.00	36.00	2.50*	75.00	72.50	3.4
Zuari Agro (10)	94.00	46.00	2.25*	81.00	89.00	2.5
Shipping						
Chowgule (10)	16.50	5.00	N.A.	7.50	7.75	...
Great Eastern (10)	34.00	14.25	0.70	24.00	25.00	2.8
Scindia (20)	21.50	7.00	N.A.	9.25	9.50	...

BusinessWorld
April 14—27, 1986

BOMBAY

Name/Industries	1985 Price range High	Low	Dividend per share	Opening 24-3-86	Closing 4-4-86	Yield
1	2 (Rs.)	3 (Rs.)	4 (Rs.)	5 (Rs.)	6 (Rs.)	7 %
Cement						
A C C (100)	610.00	380.00	20.00	240.00	253.00	7.9
Digvijay Cement (100)	230.00	180.00	20.00	200.00	200.00	10.0
Mysore Cement (10)	48.00	30.00	1.75	35.00	35.00	5.0
Raaci Cement (10)	60.00	31.00	1.80	40.00	37.50	4.8
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	200.00	205.00	7.8
Blow Plast (10)	122.00	44.00	2.50*	98.00	105.00	2.4
Colgate (10)	318.00	143.50	7.00*	205.00	215.00	3.3
East India Hotels (10)	53.00	25.50	2.00	45.00	50.00	4.0
Garware Marine (10)	33.00	14.00	1.40*	15.00	16.50	8.5
Gujarat Alkali (10)	65.00	38.00	2.50	15.00	54.50	4.6
Hari Malayalam (10)	76.00	38.00	2.50	46.00	52.00	4.8
Indian Hotels (10)	135.00	77.00	2.50	120.00	135.00	1.9
I.T.C. (10)	59.80	29.00	2.25	58.00	72.00	3.1
Lohia Machine (10)	85.00	43.50	2.00	46.00	49.00	4.1
Ponds (10)	218.00	103.00	4.50	205.00	235.00	1.9
VST Ind (10)	38.50	21.00	2.30	30.00	30.00	7.7
Wimco (10)	71.00	38.50	2.00	57.00	68.00	2.9

CALCUTTA

Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	18.00	17.10	5.8
J. K. Cotton (10)	64.00	18.00	1.20*	65.00	60.00	2.0
Kesoram Ind (10)	85.00	52.00	2.35	74.00	79.50	3.0
Jute						
Birla Jute (10)	105.00	51.50	1.85	43.29	49.50	4.7
Reliance (10)	—	—	1.75*	46.00	48.00	3.6
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	95.00	99.00	2.2
Indian Oxygen (10)	66.30	42.75	2.00*	84.00	60.00	3.3
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	20.75	28.75	5.2
Guest Keen (10)	35.25	20.00	0.50	21.00	18.75	2.7
India Foils (10)	78.00	38.75	2.00*	74.00	74.00	2.7
Macneil Magor (10)	250.00	127.00	12.00	49.00	44.50	27.0
Metal Box (10)	25.00	11.50	0.80*	17.30	18.50	4.3
Union Carbide (10)	38.00	16.75	0.50	32.00	33.50	1.5
Usha Martin (10)	48.00	26.00	1.60*	38.00	38.00	4.2
Tea						
Basmatia (10)	44.75	35.25	3.00	38.75	38.75	7.7
Brooke Bond (10)	83.00	46.50	2.50	84.00	92.00	2.7
Tata Tea (10)	177.00	64.00	5.00*	105.00	113.50	4.4
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	106.00	110.00	1.6
Davy Ashmore (10)	30.00	18.25	1.50*	27.75	29.62	5.1
English Elec (10)	114.00	70.00	3.50	102.00	102.00	3.6
Hindustan Motors (10)	127.00	37.10	2.00	99.75	55.00	3.6
Remington Rand (10)	80.00	36.50	2.00	39.75	39.25	5.0
Uni Cables (10)	65.00	26.50	1.50	67.00	70.00	2.1

DELHI

Amrit Banaspati (10)	48.00	15.00	1.20*	35.00	35.00	3.4
D C M (25)	82.00	48.25	3.75	39.00	42.00	8.9
Escorts (10)	102.00	45.75	2.20*	76.00	82.00	2.7
Goetze India (10)	61.00	21.00	1.80*	49.00	51.00	3.5
Jagatjit Cotton (10)	—	—	1.40*	87.00	87.00	1.6
Kelvinator (10)	105.00	49.00	1.80	70.00	72.00	2.2
Modi Industries (10)	87.00	16.50	1.80	40.00	40.50	4.4
Prakash Tubes (10)	24.50	18.00	1.50	22.25	23.50	6.4

AHMEDABAD

Anil Starch (100)	225.00	147.00	18.00	240.00	240.00	7.5
Aruna (100)	200.00	105.00	15.00*	130.00	132.00	11.4
Atul Prod. (100)	667.00	311.50	20.00	483.00	520.00	3.8
Bharat Vijay (100)	255.00	167.50	10.00	170.00	160.00	6.3
Calico (125)	235.00	108.00	N.A.	91.00	96.00	...
Cellulose Prod. (100)	—	—	8.00*	88.00	88.00	9.1
Guj. Steel (100)	300.00	140.00	15.00	265.00	242.00	6.2
Mafatlal Ind. (100)	390.00	235.00	22.00	332.00	409.00	5.4
Vallabh Glass (100)	275.00	105.00	22.00*	105.00	110.00	20.0

MADRAS

Aluminium Ind. (10)	17.00	5.00	1.50*	8.00	7.25	19.4
Amrutanjan (10)	—	—	3.50	117.50	110.00	3.2
Andhra Cement (10)	—	—	1.50	25.00	25.25	5.8
Ashok Leyland (10)	58.00	25.00	1.80*	30.75	31.25	5.8
Enfield India (10)	101.00	45.00	2.00	60.00	57.00	3.5
Indian Cement (10)	46.00	20.00	2.00	27.00	27.00	7.4
Kothari Ind (10)	34.50	19.00	1.20*	16.50	17.25	6.8
Madura Coats (10)	69.00	27.25	2.50	75.50	85.00	2.9
Mysore Lamps (10)	84.00	40.00	2.50	78.00	78.00	3.2
Textool (100)	265.00	182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 24th March and 4th April
Andhra Cement(10)	+ 1.00
Assam Frontier(10)	+ 5.75
Ambalal Sarabhai(10)	+ 0.50
Asian Paints(10)	+ 2.50
Bajaj Auto(100)	+ 75.00
Blue Star(10)	+ 5.00
Birla Jute(10)	+ 6.25
Britannia Ind.(10)	+ 8.00
Chloride(10)	+ 6.00
Century Spinning(100)	+ 10.00
Colgate(10)	+ 17.50
Dunlop(10)	+ 1.25
Deepak Fert(10)	+ 1.00
DCM(25)	+ 4.00
EI Hotels(10)	+ 3.00
Escorts(10)	+ 4.00
Garware Poly(10)	+ 2.00
GSFC(100)	+ 20.00
Gwalior Rayon(10)	+ 5.00
Hind Alu(10)	+ 7.00
Ind. Organic(10)	+ 1.00
Ind. Rayon(10)	+ 10.00
JK Synthetics(10)	+ 5.50
Larsen & Toubro(10)	+ 4.00
Metal Box(10)	+ 2.00
MICO(100)	+110.00
Mukand(100)	+ 1.00
NOCIL(100)	+ 35.00
Nirlon(10)	+ 4.00
Otis(10)	+ 10.00
Orkay(10)	+ 25.00
Premier Auto(100)	+ 55.00
Raymond(10)	+ 5.00
Reliance(10)	+ 9.00
Siemens(10)	+ 4.00
SPIC(10)	+ 7.50
Standard Mills(100)	+ 5.00
Tata Chemicals(10)	+ 13.00
TELCO(100)	+ 25.00
TISCO(100)	+ 50.00

Losers	Between 24th March and 4th April
ACC(100)	– 2.00
Baroda Rayon(100)	– 10.00
Bihar Alloys(10)	– 1.25
Blow Plast(10)	– 5.00
Glaxo(10)	– 1.00
Hind Motors(10)	– 1.00
Mahindra & Mahindra(10)	– 1.00
Modi Rubber(10)	– 2.00
Pfizer(10)	– 9.50
Tata Burroughs(10)	– 5.00
Voltas(100)	– 10.00

Indian commodity prices

Commodity	Variety/Centre	1985 High	1985 Low	Prices as on March 21, 1986	Prices as on April 4, 1986
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	290.00	290.00
Rice	Sela-Hapur	319.00	261.00	287.50	287.50
Gram	Desi-Bombay	607.50	437.50	525.00	482.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	617.50	654.00
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	16,408.00	13,962.00	15,622.00	15,860.00
Mustard (tin)	K-Ghani-Delhi	197.50	174.50	195.00	196.00
Coconut	Cochin	31,750.00	14,700.00	16,150.00	16,850.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,500.00	5,800.00
Angles	75x75x6mm	6,900.00	5,550.00	6,600.00	6,600.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,450.00	4,510.00
Lead	Bombay	1,265.00	1,210.00	1,400.00	1,400.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,500.00	1,950.00	2,300.00	2,600.00
Re-rollable	Bombay	4,325.00	3,275.00	4,200.00	4,250.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	175.00	175.00
Caustic	Flakes	385.00	300.00	395.00	395.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	60.00	61.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on March 21, 1986	Prices as on April 4, 1986
Gold	London	US$/ounce	350.60	333.90
	Zurich	US$/ounce	350.20	333.80
	Hong Kong	US$/ounce	351.80	334.60
Silver	New York	Cents/ounce	576.70	533.00
Copper (w.bar)	London	£/tonne	982.00-985.00	984.00-987.00
Soyabean oil	Chicago	Cents/pound	17.49	18.63
Palm oil	Malaysia	$/tonne	536.00	540.00
Castor oil	Rotterdam	$/tonne	860.00	870.00
Black pepper	Singapore	$/quintal	855.00	805.00
Rubber	Malaysia	$/tonne	201.00-203.00	201.00-203.00

Quiet sentiment

Acute financial stringency restricted activity in the Indian commodity markets during the fortnight ended 4th April. Advance tax payments, wealth tax considerations and the sustained flow of funds to the stockmarkets aggravated the financial stringency in the commodity markets during the fortnight under review. Prices were quiet in the light of poor offtake.

Foodgrains. Wheat prices turned steady on reports that the State Trading Corporation intends exporting wheat even at a loss. Rice prices too were steady. Among pulses, gram prices suffered a marked fall because of restricted demand.

Oil, oilseeds. Edible oil prices moved in a narrow groove. Among industrial oils, castor oil prices tended to rule weak because of poor overseas demand.

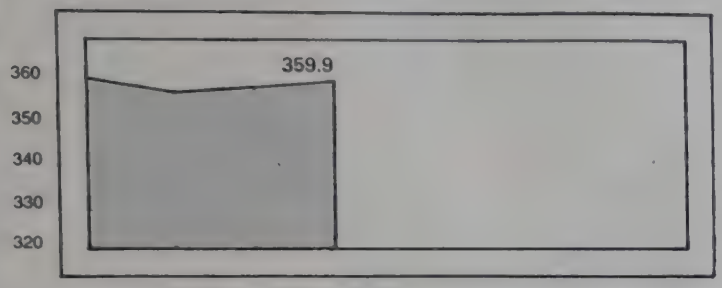
Sweetening agents. Sugar prices which has declined sharply in the previous week following a higher free sale quota for April, staged a moderate recovery on renewed buying. *Gur* prices exhibited a quietly steady tendency.

Fibres, yarn. Activity in the yarn market was restricted. Only viscose yarn prices tended to show an upward trend because of restricted supplies. Nylon and polyester filament yarns were listless, while cotton prices remained depressed because of poor offtake.

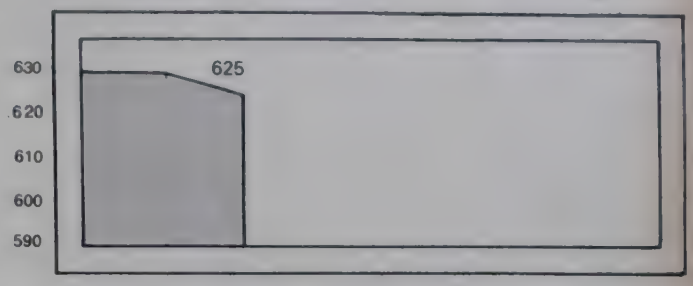
Steel, metals. Copper prices looked up because of higher overseas advices and better domestic demand. Steel prices also ruled steady to better.

The cement, dyes and chemicals as well as *kirana* markets were quiet on account of dull trading.

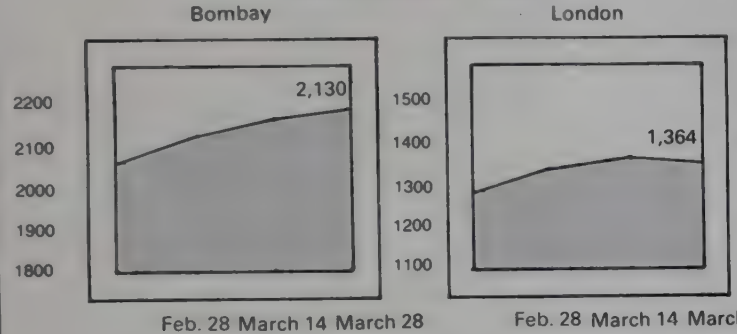
Wholesale Price Index (1970-71=100) 1986



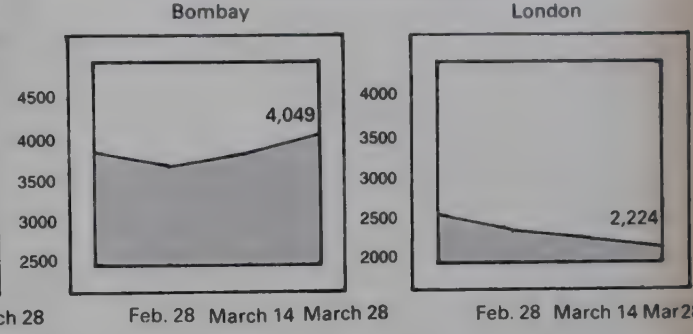
Consumer Price Index for Industrial Workers (1960-61=100) 1985



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 26th February 1986

	One month	Three months	Six months	One year
Sterling Pound	12.75	12.38	11.88	11.69
US dollar	7.94	7.94	7.94	8.12
West German mark	4.56	4.56	4.56	4.56
Japanese Yen	6.56	6.13	5.81	5.75

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 March 22	1986 March 21
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

***Money Supply (M3)**	**(Rs.crores)**	**% change over**	
March 14, 1986	1,16,923	Fortnight	+ 0.4
February 28, 1986	1,16,404	Year	+15.9
March 15, 1985	1,00,903	Two years	+37.0

**** Aggregate Deposits**	**(Rs.crores)**	**% change over**	
March 14, 1986	86,762	Fortnight	−0.6
February 28, 1986	87,242	Year	+18.4
March 15, 1985	73,257	Two years	+47.0

***** Foreign Exchange Reserves**	**(Rs.crores)**	**% change over**	
March 14, 1986	4,855	Fortnight	+2.1
February 28, 1986	4,792	Year	−7.2
March 15, 1985	5,276	Two years	+5.8

Bank Credit	**(Rs.crores)**	**% change over**	
March 14, 1986	79,472	Fortnight	+0.7
February 28, 1986	78,912	Year	+13.9
March 15, 1985	69,787	Two years	+34.7

Foreign Exchange Rates (Spot) 1986
Buying Rs.

	1986 March 27	1985 March 29
One P. Sterling	18.21	15.41
One US Dollar	12.33	12.27
One D. Mark	5.29	4.00
One hundred J. Yen	6.85	4.92

CSO Index of Industrial Production (1970 = 100) 1985

March	216.9	September	201.2
April	191.6	Octobert	202.4
May	193.6	November	206.0
June	192.6	December	222.0
July	198.5	**1986**	
August	196.5	January	224.0

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*
** *Demand deposits plus time deposits with all scheduled banks*
*** *Including SDRs, excludes gold coins*

Chequered history

Except for the fact that its relatively youthful leadership is quick to shoot from the lip and the hip, in all other respects the functioning of the new generation Rajiv Gandhi government is no less lackadaisical and dilatory than that of previous administrations. Now hear this.

In October 1983, after extensive discussions with the highly respected London-based merchant banking firm S.G. Warburg & Co., Birla Bombay Pvt. Ltd. forwarded a proposal to the Union government to promote two mutual funds to tap non-resident Indian savings for investment in India and abroad. The proposal also envisaged the promotion of a managing agency company, *viz.* Birla Mercury Management & Financial Consultancy Ltd. (BMFCL) in Jersey, Channel Islands, in collaboration with S.G. Warburg, to manage the mutual funds.

Almost 15 months later, in February 1985, the commerce ministry gave BMFCL the go-ahead to promote two companies, *viz.* Birla Mercury India Growth Fund Ltd., and Birla Mercury International Growth Fund Ltd. The fund companies will have a star-studded board of directors including Ashok Birla, Rahul Bajaj and Keshub Mahindra and some of the top brass of S.G. Warburg & Co.

After that the proposal was forwarded to the Union finance ministry which in October 1985 gave its "in principle" approval to the appointment of the Indian directors of all the three proposed companies. In March 1986, Lord Roll, the highly respected chairman of S.G. Warburg & Co., arrived in India together with other Warburg directors for the inaugural board meetings of the three companies. However, much to their surprise and Ashok Birla's embarrassment, the project had still not been formally approved, with bureaucrats in the Union finance ministry raising innumerable technical and bizarre objections to innocuous clauses in the articles and memoranda of association of the three companies.

According to knowledgeable sources within Bombay's financial community, officials in the finance ministry have been instructed to deliberately stall the Birla-Warburg project until the mutual fund promoted by the public sector Unit Trust of India in collaboration with the New York-based merchant banking firm Merrill Lynch & Co. gets off the ground.

This proposed close-ended UTI-Merrill Lynch fund which even UTI brokers admit is not competing with the open-ended Birla Mercury funds, is expected to get off the ground within the next fortnight. Therefore BMFCL spokesmen are confident after their recent discussions with the top brass in North Block, that the project will receive the green signal at long last. Yet given the chequered history of the proposal, they wouldn't be advised to bet on it.

Fratricidal battle

A fratricidal legal battle for the division of assets is imminent in the Bombay-based Morarka group of 27 companies. The group has interests in the engineering, construction, investment, textiles, paper, sugar and vegetable oil businesses. And among its better known companies are Gannon Dunkerley & Co., Nalanda Exports and Nimar Textiles. The two brothers are also major financiers of the Bombay-based evening daily, the *Afternoon Courier & Despatch*.

With the businesses of the group having prospered mightily in recent times, almost inevitably Ambu and Kamal Morarka are at loggerheads as to how to manage the myriad businesses of the family. According to reliable sources within Bombay's business community, all efforts at conciliation have failed and a pile of dirty linen is about to be washed in the courts of law.

Imminent newspaper war

The daily newspaper publishing project of the J.K. group's Vijaypat Singhania is hurtling towards a November 1986 deadline. A name — *Indian Post* — for the daily which will initially be published from Bombay and later from Delhi, has already been chosen. The fourth floor of the JK Building in Bombay's Ballard Estate, has also been cleared for the staff recruited by the Indian Express refugee J.C. Jain, who is managing the project for Singhania.

In addition, negotiations to purchase land on which a technologically up to date printing press will be installed, are being conducted with Yashpal Kapoor, chief executive of the *National Herald*. The penurious National Herald group owns prime property on Bombay's Western Express Highway. Simultaneously feelers have reportedly been sent out to three highly respected media pundits, *viz.* Girilal Jain, S. Nihal Singh and Inder Malhotra, to sound them if the position of editor of the *Indian Post* interests them.

In the meanwhile, Jain, who left the Express group after its eccentric proprietor Ramnath Goenka made some disparaging remarks about his abilities in an *Illustrated Weekly* interview, is all set to mount a personnel raid on the Indian Express.

Quite obviously, Fleet Street-style newspaper wars are imminent in India.

Life begins at forty?

The liberalised policy of capital equipment imports ushered in by the Indira Gandhi administration in the early eighties and which has been further simplified under the successor Rajiv Gandhi government has had a few not-so-beneficial spin offs. Quite a few indigenous manufacturers have opted for importing obsolete secondhand plants — some of which have been gathering rust abroad for years on end — with the result that in several cases they have come to grief.

The most notable case in recent times is of course that of Bombay Dyeing which imported a 25 year old plant from Hecrofina, USA for the manufacture of dimethyl terephatalate (DMT) — an important intermediate used in the manufacture of synthetic fibres. Months after the plant was commissioned in April 1985, it is yet to produce DMT which is of acceptable quality to synthetic fibre manufacturers.

And now it's the turn of the Modis who, according to reliable sources, have overcome government objections to the planned import of a 40 year old plant to manufacture high wet modulus fibre, from the UK. In October 1985, the DGTD rejected the proposal of Modi Enterprises Ltd. to import this plant which had hitherto been rusting in peace in North Wales.

But according to informed insiders, the Modis have now convinced the government that with a few modifications the plant can be made functional. Especially if an existing 30 tonne dilapidated boiler is replaced by a new one. And in anticipation of receiving formal government approval, Modi Enterprises has asked the country's leading project consultancy and engineering firms to put in their pre-qualification bids — for the dismantling and re-erection of the plant — by 10th April.

The question which knowledgeable individuals in the project engineering business are asking is that: if the 25 year old Bombay Dyeing plant certified by Chemtex Engineering, USA came a cropper, what are the chances of a 40 year old plant doing better?

DISTINCTIVELY HYATT.



The Regency Club at Hyatt Regency Delhi is our way of showing the business traveller how very special he is.

This distinguished 'hotel within a hotel' concept spans the entire 6th floor. Where the elevator stops only when you use your personal club key!

As a Regency Club guest you are entitled to services that exceed even the Hyatt hallmark of excellence. A warm welcome and express check-in just for you. 60 deluxe rooms and 5 elegant suites to choose from. A special escort up to your private floor. Personalised stationery, the finest toiletries, fruit and flowers that are always fresh. Personal attention from the Club's gracious concierge. Complimentary breakfast, cocktails with hors d' oeuvres everyday. Even a private lounge, conference room — and so much more.

Everytime you stay at the Regency Club you'll discover another reason why Hyatt is the international business traveller's hotel — worldwide.

You'll agree a touch of distinction does make real business sense. Don't you WISH YOU WERE HERE℠

HYATT REGENCY® DELHI

INDIA

Reservations: Call the hotel 609911 Telex: 031-62779, 031-61512 HYT IN
Or Sales & Reservation office at Bombay Telephone: 244578, 244579

You just can't beat a BAJAJ



The scooter that's travelled more than 200 times the distance to the sun

It's a long, long way to the sun — 150 million kilometres to be precise! But then again, Bajaj has nearly 2 million scooters on the road today. So even a grossly underestimated 15,000 kms per scooter gives an awesome total of 30,000 million kilometres. Just think of that!

You'll see that Bajaj has come an millions of kilometres over every kind of road, through the toughest conceivable conditions.

Ask any of those 2 million Bajaj owners and they'll tell you:

You just can't beat a Bajaj!

bajaj auto

LINTAS BAJ 15 282!

BusinessWorld
a magazine for Indian business



B. Budhiraja,
executive, IOL

The liberation of Indian Oxygen

Mangalore Chemical's green vi as

THE AIR FRANCE WELCOME: OUR INDIAN TOUCH MAKES THE DIFFERENCE



Enjoy the French hospitality with an Indian touch when you fly in the company of Air France. Indian meals are available on board our main long-haul flights if requested 24 hours in advance.

On arrival in Paris, our Indian hostesses will welcome you in our CDG2 Express Terminal. They will greet you in your own language and ensure that your stay or transit is as pleasant and trouble-free as possible. Next time you travel to Europe or onwards, fly Air France and enjoy the difference.

AIR FRANCE
WE'RE AIMING EVEN HIGHER

VOLUME. 6, ISSUE 3, APRIL 28-MAY 11, 1986

BusinessWorld

the magazine for Indian business

Editor
Dilip Thakore
Assistant Editors
Debjani Sinha
Michael Neri
Special Correspondent
Binu S. Thomas
Calcutta
Special Representative
Sujoy Gupta
Delhi
Anand P. Raman
Bangalore
N. Raghavan
London
Seetha Kumar
Sub-editor
Indira Khanna
Art Director
Bipul Guha
Production
Mohan Nair
Layout
Mohan Nair
Hajoo Aslam E.

Head Office & Regd. Office
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700 001
Telephone 278000 & 274880
Regional Offices
Bombay
145, Atlanta
209, Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone 240581, 241083

Delhi
1/7 IENS Bldg
Rafimarg
New Delhi-1
385401 Ex. 37
383058 (Editorial)
Phone 389078 (Advtg)

Madras
Dents Garden, 18, Pattulos Road,
Madras 600 002
Phone 89379 & 81713

Bangalore
14, Madras Bank Road
4th Floor
Bangalore 560 001
Phone 568227 & 568228

London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC 4
Telephone 01-353-1821

Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage

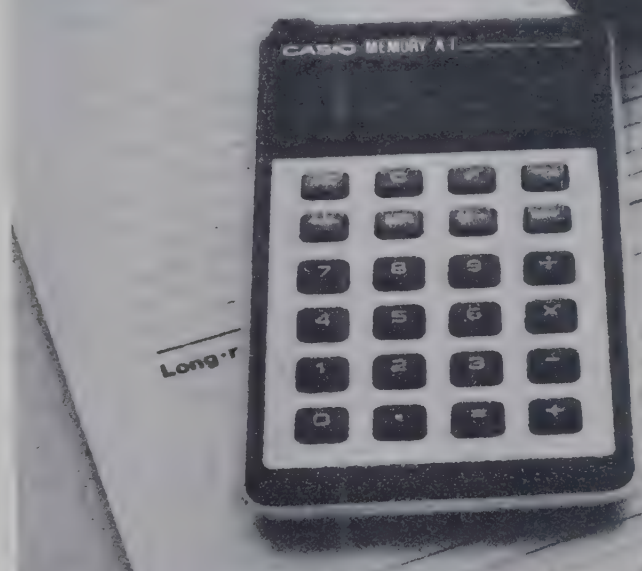
Editorial office
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone: 221178 & 241083

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

Why not save 20%.

Money back guarantee

We are confident you will enjoy **BusinessWorld.** Confident enough to refund your entire subscription within two months if you are not satisfied.



Send me the following issues of

BusinessWorld

the magazine for Indian business



My cheque is enclosed

Mail my copy to

Name

Address

State

Pin code

Subscription Rate (In India)

One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

Please draw cheque in favour of
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700 001

Rs 3 extra for outstation cheques

Please tick
☐ One Year
☐ Two Years
☐ Three Years

When you have all Aces in hand .....



Grab this opportunity .....

The growth of Shanthi Gears Limited, Coimbatore, is an outstanding example of diligent entrepreneurship, ability to keep in step with the changing needs of industry and excellent husbanding of resources for growth and development.

Shanthi is now among the top five Gear Box manufacturers in the country and is the only one in the organised sector manufacturing spare gears for Textile industry

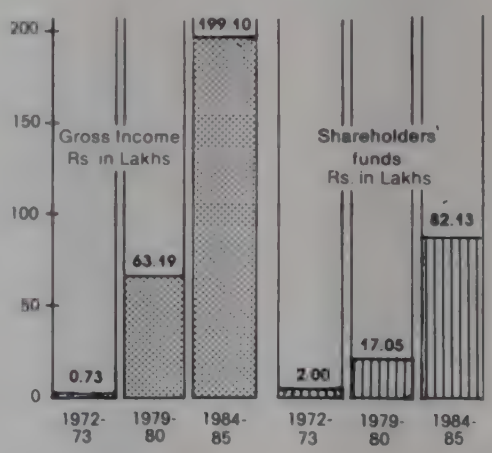
Promoted by Shri P. Subramanian, a Technocrat, Shanthi started with Textile gears, and later took up manufacture of a wide range of gears and gear boxes for Engineering, Steel, Cement, Petro-chemical, Sugar and Tea industries. Close on heels came custom-built gears for reasearch facilities

Currently, Shanthi's long and growing list of clients includes top-notch companies like BHEL, LMW, L&T, CENTURY, MADURA COATS MECON, ACC, India Cement, Tata Tea, Shakthi Sugars, TIFR, ISRO, Department of Atomic Energy

To support this forward march, Shanthi proposes to go in for an enlargement of its capital base.

The Company proposes to issue 6,40,000 Equity Shares of 10/- each for cash at par of which 2,40,000 will be reserved for Business Associates, 32,000 for Employees; and the balance of 3,68,000 is now being offered to the public.

Here is an excellent opportunity for investors to share in Shanthi's growth and profits



Public issue of 4,00,000 Equity Shares of Rs 10/- each for cash at par.

Managers to the Issue

State Bank of India
Merchant Banking Division

Advisors to the Issue

Standard Chartered
Standard Chartered Bank
Merchant Banking Division

ISSUE OPENS ON 12TH MAY 1986

Shanthi Gears Limited

304-A Trichy Road, Singanallur
Coimbatore – 641 005
Tamil Nadu

CORPORATE VOICE SGL

BusinessWorld
April 28—May 11, 1986

For the lay press the appointment in October 1984 of Sashi Bhushan Budhiraja as managing director and chief executive of the Calcutta-based Indian Oxygen Ltd. (IOL) was an event which scarcely merited attention. Yet for us in *BusinessWorld* who are aware of the vital significance of the human factor and in particular of the quality of leadership in the business of managing men, money and materials, it was big news. At that time we were the first publication to report that IOL and its British parent — the London-based BOC Group plc — had zeroed in on Budhiraja after initiating a global search for a chief executive for India's largest industrial gases manufacturing company.

The excitement and anticipation that Budhiraja's selection and appointment as chief executive of IOL has generated among knowledgeable corporate analysts is understandable. During the course of his 30 years career in industry, he has built himself an enviable reputation.

This reputation is based on Budhiraja's unique experience of the private sector (Burmah Shell); public sector (Indian Oil, in which he rose to be its youngest managing director (marketing)) and of international business (the Dubai-based trading multinational Al Futtaim). In addition, after he quit Al Futtaim (1982) at the end of his four year contract he put in a research stint at the Harvard University prior to signing up with Indian Oxygen in October 1984.

While he was on his way to Harvard, I had the occasion to have lunch with him in Bombay. He came across as a sober, confident individual who was clearly unhappy about the prospect of spending time abroad once again. He made it quite plain that he intended to return to India as soon as possible. Contrary to popular belief one can be a professional manager and a nationalist.

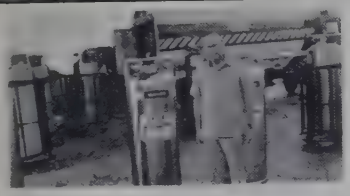
In IOL, Budhiraja has a tough job ahead of him. Denied permission to expand and diversify its operations right through the seventies, morale in the company is at rock bottom. This factor combined with the traditionally authoritarian culture of the top management of yesteryears has stifled enterprise and creativity within the company.

But fortunately for Budhiraja the assumption of his office coincided with the induction of the growth-oriented Rajiv Gandhi administration into office in New Delhi. As a consequence, the green light has been given to several expansion, modernisation and diversification proposals of the company. In this fortnight's cover feature, Debjani Sinha our Calcutta-based assistant editor, describes the new temper of the company and outlines the plans and programmes initiated by Budhiraja to revitalise the 50 year old IOL.

And in our spotlight feature, N. Raghavan our Bangalore-based correspondent describes the dramatic turnaround of the long-languishing Mangalore Chemicals & Fertilisers Ltd.

Vinu Shallore

IN THIS ISSUE



40 The liberation of Indian Oxygen
After years of marking time, this eastern sector blue chip company is about to cast off its shackles under a new chief executive.



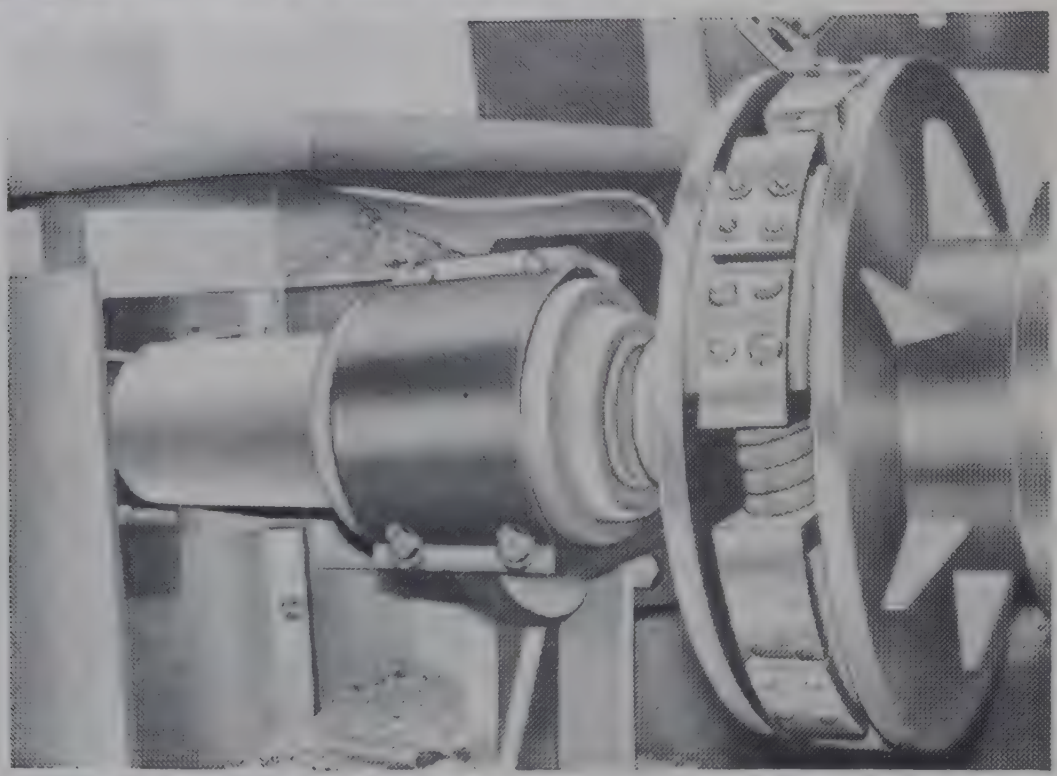
68 Mangalore Chemicals' green vistas
The dramatic turnaround in MCF provides an object lesson in back-to-basics management. *BusinessWorld* reports.

5 Editorial
6 Letters to the Editor
9 Last Fortnight/Next Fortnight
13 Political Comment
14 Banking & Finance
14 Business News
25 Economic Comment
26 Taxation
27 In the News
32 Computers
37 Management
38 Careers
39 The Professionals
40 Cover Feature
55 Business Information
57 Marketing
58 Leisure
67 Mediatrends
68 Spotlight
77 Letter from Islamabad
77 International News
86 Letter from Jakarta
87 International Briefs
88 Company News & Events
91 Investment
92 Stockmarkets
94 Commodities
95 Economic Review
96 Offstage

13 Tax raids in perspective
M.V. Kamath is a former editor of The Illustrated Weekly of India.
14 Interest rates jungle
A.K. Ganguly is a former editor of Capital and former news editor of Newstime.
25 The case for gold imports
Madhusudan Daga is adviser to Consolidated Gold Fields Ltd., London.
26 The budget & the salaried
H.P. Ranina is a well-known Bombay-based advocate.
32 Computerisation & strategy
T.A. Balasubramanian is a senior systems officer in the Hindustan Petroleum Corporation.
37 Volunteerism virtues
Lee A. Iacocca is the president of Chrysler Corporation, USA.
55 Private agencies
P.V. Satyanarayana is a Bombay-based management consultant.
57 A double-edged weapon
Walter E.Vieira is a Bombay-based management consultant.
67 Right of rebuttal
Darryl D'Monte is a former resident editor of the Indian Express, Bombay.
77 Aid package time bomb
Husain Haqqani is a correspondent of the Far Eastern Economic Review, Hong Kong.
86 A minority under siege
Kieren Cooke is a correspondent of the Financial Times, London.

Perfect Thermal Resistance

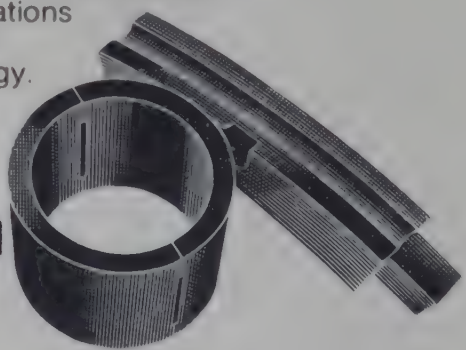
At 550°C YOU NEED ASCARBON MORGAN



Because the others crumble

In large capacity boilers only Ascarbon Morgan stoker bearings can stand up to the heat, friction and mechanical wear that they are subjected to. No other material comes anywhere near Ascarbon Morgan on the optimal combination of thermal resistance, wear and lubrication.

Manufactured in collaboration with world leaders, MORGANITE of UK, and processed from imported raw materials, Ascarbon Morgan is generations ahead in special carbon technology.



Carbon when it's critical

Ascarbon Morgan

Assam Carbon Products Ltd.

Everest House, 46C Chowringhee Road, Calcutta 700 071
Phones 447651/52 Telex 021-3306 Gram ASCARBON

BusinessWorld
April 28—May 11, 1986

The widening trade gap: government drag on the export drive

The growing trade deficit and the balance of payments crisis it portends in the near future is triggering alarm bells across the nation. According to the latest available official statistics, the country's import bill during April-September 1985 aggregated to Rs. 9,141 crores which represented an increase of 24.5% over the value of imports during the period April-September 1984. The value of exports on the other hand declined by 0.7% from Rs. 5,054.76 crores to Rs. 5,017.63 crores during the period under review.

Since September 1985 the situation has worsened, and according to a statement made in Parliament on 1st April by Union commerce minister P. Shiv Shankar, the trade deficit in fiscal 1985-86 is likely to be as high as Rs. 9,000 crores. This will represent an increase of more than 73% over the 1984-85 figure.

The Union government's reaction to this looming foreign exchange crisis has been somewhat panicky. Instead of making a determined effort to augment the domestic production of fertilisers, edible oils and steel which costs the economy an estimated Rs. 3,500 crores annually in foreign exchange in the aggregate, the mandarins of North Block have been persuaded to adopt the option of cutting back imports of capital goods and technology.

Yet, the government's panicky reaction of curbing essential imports to contain the trade gap runs counter to the national consensus on the need to modernise Indian industry and upgrade the quality of its products to make them more competitive in world markets. As is evident from the import-export figures for the period April-September 1985, the failure is not the inability to put a leash on imports as to impart a greater momentum to exports which actually registered a decline of 0.7% in value terms over the same period last year.

Telling commentary

Indeed the actual decline in export revenue durng the first half of 1985-86 is a telling commentary on the competitive ability of Indian industry which, three years after the $3.9 billion IMF loan was obtained to modernise several selective industries to enable them to accelerate exports and reduce imports, should have begun showing results. While it is true that the all-pervasive and deeply entrenched inefficiencies in the economy make it very difficult to drastically step up exports in the short term, there is no gainsaying that Indian export revenues have been growing at an annual average of 10% during the period 1980-85. In fact the projected increase of 2% in the value of exports from Rs. 11,297 crores in 1984-85 to Rs. 11,525 crores in 1985-86 will be the lowest increase in 20 years.

However while the country's export performance seems to have touched its nadir in the recently concluded year, the causes of Indian industry's inability to compete in world markets can be traced back to faulty, interventionist policies formulated by earlier administrations. Successive governments at the Centre in their questionable wisdom have tried to regulate the flow of goods to overseas markets. Thus the export of several commodities such as cashew, rice, mica, cotton, etc. were at various points in time canalised through state trading agencies which are notorious for their high overheads and inefficiency. Consequently given the highly time and cost-conscious attitudes of overseas buyers, Indian exports of these commodities began to suffer forcing the government to decanalise many of these items. But in the meanwhile, the damage in terms of reputation and reliability had already been done and Indian exporters of these commodities are still reeling from the aftershock.

Yet another damper to increasing exports has been the government's proclivity to impose a minimum export price (MEP) on the export of certain commodities from time to time. The rationale for the imposition of MEP is to ensure that Indian exporters do not under-invoice or otherwise sell commodities for which there is a great demand abroad too cheap. But more often than not the imposition of the MEP proves counter-productive as was tellingly demonstrated in the case of tea exports in 1985. Last year was an exceptionally healthy year for Indian tea which was in good demand in overseas markets until the government imposed an MEP which was fixed at a higher rate than the prevailing international price for tea. Consequently the demand was killed and the price of Indian tea crashed by 50% in international markets compelling the government to belatedly withdraw the MEP.

But these restrictions notwithstanding perhaps the greatest blow to the national export drive has been delivered by the withdrawal of export incentives accorded to large private sector export houses. These houses play a pivotal role in marketing abroad the goods of small and medium scale enterprises — at best of times a tricky and expensive exercise which is why through the seventies their growth was actively encouraged by the government. But in the eighties several concessions — most notably certain income tax concessions provided under s.358 of the Income Tax Act 1961 — which were accorded to these export houses were withdrawn.

The roll back of the policy to mount an international export drive through these registered export or trading houses was further accelerated when in its three year import-export policy announced a year ago, the Union government drastically curtailed the imports which export houses were hitherto entitled to make against additional import licences which are given to them in recognition of their export performance. Under the new rules, additional licences can be used to import only those items specified on them. In most cases the domestic demand for the specified product or products is weak. Consequently, the value of these licences — which are permitted to be freely traded — dropped considerably and this in turn has proved to be a disincentive to pushing up exports.

High inflation debt trap

Given the depleting revenues from non-resident Indians working in West Asia, the commencement of the IMF loan repayments from last year (1985-86), and the escalating import bill, the country's foreign exchange reserves which aggregated Rs. 7,010 crores at the end of March 1986 are woefully insufficient. Indeed they do not even provide adequate cover for the trade deficit which has been estimated at over Rs. 9,000 crores during 1985-86. And even as the danger of falling into a Latin American style high inflation debt trap looms larger than ever, the only solution is to impart momentum to the national export drive rather than to cut back on imports of capital goods and technology which are vitally necessary to modernise the country's rapidly ageing industrial base.

Absorbing but...

SIR—I am a reader of *BusinessWorld* and would like to thank you and Michael Neri for that exclusive cover feature 'Consumer products of the eighties' (*BW* February 17-March 2). It was really absorbing, barring a couple of factual errors.

In the Maggi Noodles box, it was mentioned that Food Specialities Ltd. (FSL) has also fathered two of the most disastrous flops of the eighties—the products allegedly being Paloma and Happiness. This is utter nonsense. Mr. Neri must have confused Happiness with FSL's Nestomalt because FSL has never marketed Happiness, which is in fact an HMM product. On top of everything, the product Nestomalt was withdrawn despite commanding a premium image in the market,just due to production capacity constraints. As you would be aware, for overcoming this problem FSL is going in for its third factory at Nanjengud, Mysore. Secondly, Paloma never had a pan-India launch. It was test marketed and withdrawn and as such could not be termed a "flop."

It was also mentioned that FSL sells over 20 million packets of Maggi Noodles per annum, which fetches Rs. 1.5 crores. Even if FSL sells 5 million packets more, they wouldn't be anywhere near that amount unless the per unit price of the product is increased. Moreover, even if FSL bags that prized amount out of Maggi, it would run into a loss because as per Mr. Neri, FSL spends more than Rs. 1 crore for the publicity of the product. There is something wrong somewhere in Mr. Neri's calculations.

FSL is not here for charity, but to provide you with the best value for your money.

Gautam Dhar
Food Specialities Ltd.
Calcutta

Top notch brands

SIR—Please accept my congratulations on your cover story 'Consumer products of the eighties' (*BW* February 17-March 2). One could not but agree with your experts on their selections and the brilliant analyses offered by them.

However, I feel there was a notable exception—Bush colour television. A late entrant in the television industry, Bush has really come in from behind to share top honours with market leaders such as Weston, Dyanora and Crown. Among the other products which deserve mention are Vicco Vajradanti, Palmolive shaving cream, J&N paints, Boroline, Parle's Krackjack biscuits, Modi tyres, Gopi mixers and Thums Up. I am also tempted to include two other products which became popular in western India—Energee and Amul shrikhand—for the excellent marketing job done by their promoters.

Lastly, in Mr. Jagdish Chopra of Voltas, your readers have found a top notch marketing personality. Let us have more essays on marketing from Mr. Chopra in the months to come.

N.O. Parikh
Pune

Modi Xerox's contribution

SIR—Thanks for the timely spotlight on 'Modi Xerox battles the odds' (*BW* March 3-16), which provides a wealth of information about the reprographic industry.

The government needs to classify the industry into manufacturing units and screw-driver technology units. It is very true that Modi Xerox does need special treatment from the government with regard to customs duties and Central excise duties. In fact, the government should take quick steps to abolish screw-driver technology units which are only augmenting the nation's foreign exchange reserves problem.

Apart from seriously manufacturing plain paper copiers in India, Modi Xerox is also indigenising production, which will go a long way in laying the foundations for the whole reprographic industry. It is only logical that government must help such units which have plans to earn foreign exchange through exports and relax the stringent regulations so that they can be competitive and are able to survive in the marketplace.

Ravi Iyengar
New Delhi

Interesting article

SIR—I am a student of the postgraduate department of business administration of Rajasthan university. Please accept my thanks for your spotlight article "The jet speed growth of the courier industry" (*BW* December 9-22, 1985). It was really an interesting article.

I want to start my own courier service firm at the domestic and international level, in collaboration with Indian courier service companies. Therefore, I request you to help me a little further and give the addresses of all the Indian courier service companies.

R. Kumar
5/131, Bapur Bazar,
Udaipur-313 001

Words of praise

SIR—I read with much interest your spotlight article 'Airbus' battle for the skies' (*BW* February 17-March 2). It is an extremely well written and revealing article. Also, it is a feature which has not been tackled by other business magazines. My congratulations.

Vijay Dudeja
Calcutta

Misquoted

SIR—In your spotlight story 'Abdul Shamji's last stand' (*BW* January 20-February 2), I have been misquoted. My quote should read, "The press would have us believe that the Asian businessmen in question must have resorted to unscrupulous business practices. Until this has been fully known, I cannot pass judgement. If you look at Asian businessmen as a whole, they have created jobs and wealth for this country."

Louis Paul
London

Nomenclature error

SIR—Please refer to the offstage item 'Life's like that' (*BW* February 17-March 2). It was *Elektor-India* that changed its distributors and not *Electronics for You*. The latter is published from Delhi and is still with India Book House. *Elektor-India* is published by us from Bombay. We appointed Blaze as our distributors from October 1985.

S.Iyer
Manager
Elektor Electronics Pvt. Ltd.
Bombay

Sorry, we erred—Editor

Chinese example

SIR—Your entrepreneurs story on Nelson Wang and his China Garden restaurant (*BW* March 17-30) was fascinating. To me, the moral lies in Wang's

BusinessWorld
April 28—May 11, 1986

statement about Chinese labour, "They are both hard working and loyal, while Indians often tend to be rolling stones. China's culture requires them to work, but never ask for anything."

We in India first used to ape the West without applying our minds to what was good for us and what was bad. However, during the last few years, we have become too enthusiastic about everything Japanese, without weighing the pros and cons. The Japanese are undoubtedly a great race and I admire their unbeatable success in competition with the great world powers. However, our own situation is more akin to China and if we can somehow imbibe Wang's description of their work ethic among our own people, then we too can take a great leap forward.

Krishan Kalra
New Delhi

Computerisation limits

SIR—I read with interest the computers article 'Computerised government—pros and cons' (*BW* March 3-16). As correctly stated, an analysis of government functioning is indeed a difficult task. This should be done in a meticulous manner so that procedures can be simplified. For computers to be introduced successfully, the pitfalls of hasty computerisation should be avoided. You have also correctly stated that routine jobs will be performed faster, resulting in shorter queues in government departments.

However, the writer clearly expects too much when he opines that problems such as security lapses, espionage detection, black money, tax evasion, etc., can be substantially curbed, if not eliminated, by the appropriate use of computers by the government. What is of more importance in tackling such problems is the will of the government and the people to build a society in which peace and social justice prevail. Computers cannot be programmed to detect the Satwant Singhs and Coomar Narains!

The loss of individual privacy and freedom due to computerisation is a widely believed fallacy. Let me assure readers that very simple devices such as passwords, file-access authorisation, and encryption-decryption procedures make data stored in computer databanks and data-in-transit infinitely more safe, confidential and protected against malafide tampering, than any conventional filing system. After all, NASA processes a large volume of classified military information on its computers which is used by thousands of its employees!

Lastly, people who will work with computers are likely to be young people with a lot of initiative and enthusiasm. It is up to the government and the bureaucracy to see that they do not become the future *babus*.

S. Ravishankar
Bombay

Income determination

SIR—In *BusinessWorld's* letters to the editor page (September 16-29, 1985), Mr. H.P. Ranina has replied to the query of Mr. Mundra about the income tax deductible on loans, for which I am very grateful.

I would like to know from Mr. Ranina if this rule of income tax on actually earned interest is also applicable in cases of actual profit earned on the disposal of equity shares or debentures of a limited company. For example, if I dispose my shares of a company, which I have acquired at Rs. 10 each, to any of my relatives at Rs. 15 each although the market value on that date is Rs. 50 each, will the profit be deemed to be Rs. 5 per share or Rs. 40 per share? Of course, the stamp duty on the transfer deed would be paid at the market rate of the date of sale.

A clarification given by Mr. Ranina would be very useful to the investing public.

Gopal Lal Bazaj
Burdwan (West Bengal)

H.P. Ranina replies: *If the shares are sold to your relatives at a price of Rs. 15 each as against the market value of Rs. 50 per share, there would be no capital gains tax liability, but the difference of Rs. 35 would be liable to gift tax as it would be deemed to be a gift under s.4 of the Gift Tax Act, 1956.*

Class bias

SIR—I have been a reader of *BusinessWorld* since its inception and I have found it a very interesting magazine. But I am a middle class man and I want more information for our class of people. For example, in relation to income tax, there is a column written by H.P. Ranina. But it is only meant for the rich upper class. I would like to see some articles written for the middle class with examples showing how we can save our money and still be genuine taxpayers.

Secondly, there is a need for coverage of new areas of business.

True, *BusinessWorld* has a good column on new products. But we also want a column which should discuss new areas of business that would be of interest to new entrepreneurs.

S.C. Parmar
Pune

Have you read our business opportunities/business information page?—Editor

Undue praise

SIR—This has reference to the taxation article written by Shri H.P. Ranina regarding the benefits of the National Deposit Scheme (*BW* February 3-16). While there is no doubt that the scheme will provide certain benefits to the investing public, I feel Mr. Ranina has been extravagant in his praise of it.

To quote his own example, if one invests Rs. 2,00,000 in the scheme out of an income of Rs.3,00,000,then one has to pay only Rs. 50,000 as income tax. However, on the balance Rs. 1,00,000 also one has to pay a minimum of Rs. 30,000 as taxes,so the total tax payable shall be Rs. 80,000. Now, out of Rs. 1,00,000 (because Rs. 2,00,000 is already deposited) available, if one pays Rs. 80,000 as taxes,then will one be in a position to maintain one's family on the balance Rs. 20,000? I feel the calculations are imaginary and misleading because one first requires the necessities of life. An individual earning Rs. 3,00,000 annually can't maintain his family on Rs. 20,000, and if any of your columnists has a novel scheme on how to maintain the family on only Rs. 20,000, we would be more obliged to him than the finance minister.

Mahabirprasad S. Deora
Bombay

Erroneous statements

SIR—We refer to the various claims made by Mr. Ram Kotak, managing director of Intermodal Transport Technology Systems (Karnataka) Ltd. (ITTS), in the interview published in your in the news column (*BW* March 3-16).

We are rather surprised to note that he has made a claim of supplying living units and containers to Oil India Ltd. We would like to point out here that we are the only private limited company in the whole of south India which has secured an order for the supply of

portable living units on a turnkey basis to Oil India Ltd. We had sub-contracted a minor portion of the work to ITTS. We shall be grateful if they can produce documentary proof of having received orders directly from Oil India, in which case we wish them all success. And if the claim made by Mr. Kotak in his interview referred to above is to the contract received by us from Oil India, then we want an unconditional apology from him for making such erroneous statements.

S. Raghunath
Managing director
S.R. Modules (India) Pvt. Ltd.
Bangalore

Strange silence

SIR—I had applied for 150 shares of Stanford Engineering Ltd. under application No. 689354. The application form with a cheque for Rs. 750 drawn on the Bank of India, Bandra, was duly sent to the bank's main branch in Bombay on 5th August 1985.

The issue opened for subscription on that day and closed on 8th August. My cheque was also duly encashed. It is now seven months and yet no allotment or refund has been received, despite four reminders on 19th and 30th December 1985, 27th January and 22nd February 1986 to: Registrars, International Data Processing Co. Ltd., New Delhi-19, with copies of the last two reminders also enclosed to the managing director, Stanford Engineering Ltd., New Delhi-17.

I seek your assistance in getting my money back.

G. Ramabadran
Bombay

Piecemeal reform

SIR—The Central government in consultation with the Reserve Bank of India had framed the Banking Companies (Nomination) Rules, 1985, which came into force on 29th March 1985. Under the rules, banks can accept nominations for existing and new accounts by account-holders in relation to their deposit and safe custody and safe deposit lockers.

Since then, almost a year has elapsed, but account-holders at the State Bank of India (SBI), Falna have yet to be provided this facility.I opened a savings bank account in the said branch recently and had to use the account opening form which does not include a nomination clause.

I request the authorities at the State Bank of India to supply the form incorporating the nomination clause to all its branches. As a part of customer service, SBI branches may be advised to write to all their existing account-holders, asking them to nominate their nominees.

Surendra Kanstiya
Falna (Rajasthan)

Excise hardship

SIR—The newly enacted Central Excise Tariff Act which came into effect from 28th February, seeks to remove all the ambiguities and complications relating to excise tariff. The Act is based on internationally accepted nomenclature, in the formulation of which all technical and legal considerations have been taken into account.

It has long been established that pickaxes and *powrâhs* are agricultural implements. The railway authorities, the Engineering Export Promotion Council, various state governments and even documents on the export policy, nomenclate pickaxes and *powrahs* as agricultural implements. Even the appellate collector (Central excise) New Delhi, in the *Shiv Steel Works vs. Assistant Collector, Jodhpur* case, upheld this view.

But the Central Board of Excise and Customs, New Delhi in its letter No. F. 13/96/82-CX-I dated 15th July 1985, has instructed the excise authorities that *powrahs* and pickaxes are not eligible for excise exemption, which is available to agricultural implements. In view of this letter and according to the Customs and Central Excise Tariff Act, 1985, excise duty at the rate of 12% *ad valorem* will be charged on *powrahs* and pickaxes, whereas the excise duty on other agricultural implements is nil.

This additional burden of 12% will cause undue hardships for the poor tillers of the soil who use these agricultural implements. It is hoped that the finance ministry will intervene and come to the rescue of the poor peasants.

Surendra Kanstiya
Falna (Rajasthan)

Commitment violation

SIR—I had deposited Rs. 4,000 with Majuli Tea Co. (India) Ltd., Looit Sora, Mahatma Gandhi Road, Gauhati 781001, Assam by way of a draft 7DRF00161 dated 28th March 1985. The deposit was for a period of three years, and was to yield an interest of 15% per annum, payable quarterly.

The company has defaulted on the payment of interest instalments due on 30th September 1985 and 31st December 1985 and does not respond to even registered letters.

Please advise as to what can be done to force companies which treat the depositors' hard-earned money in such a cavalier manner and in violation of their commitments. I am sure that I am not the only one to suffer on this account.

Vidya Niketan
Bhopal

IBA's blind spot

SIR—When you "preside on a mistake, you sell integrity." I strongly feel that our Indian Bank Association should wake up to this fact. This association grants IBA approval numbers to selected companies, and these IBA approved lorry receipts (LR) can be discounted in any nationalised bank by the consignors.

The IBA has laid down certain clear terms which transport operators need to adhere to *in toto*. Otherwise their IBA registration is liable to be cancelled forthwith, and the LR issued by them cannot be discounted in any bank.

The two major conditions for IBA approval are that: (i) The transporter shall not issue a LR without physically obtaining the consigned goods in his possession. (ii) The operator shall not deliver the bank negotiated goods to the consignee without obtaining the consignee copy cleared by the destination banks.

But, alas, barring very few transport organisations which are run on professional lines, most of the operators openly flout this IBA rule. The IBA is either not aware of this or prefers to silently sell its integrity.

R. Vaidhyanathan
Dewas (Madhya Pradesh)

BusinessWorld invites letters from readers on matters of topical interest. Letters should preferably be typed and should not exceed 250 words.

APRIL 5

The Union government has decided to constitute a high-powered statutory authority to manage and control all the export processing zones (*BS*).

While inaugurating a national conference on environmental planning and pollution control in Calcutta, the Union industry minister N.D. Tiwari said that the government would not issue industrial licences for any project without a built-in provision for antipollution measures. (*ET*).

APRIL 6

The Union industry ministry has decided to introduce a new system for the bulk movement of cement to various parts of the country. Under this system, cement would be made available in all parts of the country in adequate quantities (*FE*).

APRIL 7

The Union government has awarded the Hazira-Jagdishpur pipeline construction contract to a consortium led by the French company Spie Capag which made the lowest bid (about Rs. 722 crores) in the overall analysis (*BS*).

The international criminal Charles Sobhraj (42) and his associate David Hall were arrested by the Bombay police at Mapusa in Goa. Sobhraj had escaped from Tihar jail on 16th March after drugging the security men.

APRIL 8

The working group constituted by the ministry of industry in January this year on small-scale units has criticised the plethora of acts governing a unit, the implementation of which necessitates the scrutiny of over 40 inspectors of various governmental departments.

APRIL 9

The Union government has liberalised the import policy further to allow certain industries to import raw materials, components and consumables more easily, with a view to increasing production both for export and internal consumption (*FE*).

APRIL 10

According to a report, West Asian oil producing countries have decided to sell off at throw away prices a substantial portion of the high tech machinery and engineering equipment which they had bought during the last few years (*ET*).

APRIL 11

While speaking at the World Bank's development committee meeting in Washington the finance minister V.P. Singh expressed regret that the concessional aid for developing countries has remained stagnant. He urged the World Bank to draw up an action programme for increased international development assistance.

APRIL 12

The Union government has decided to export two million tonnes of wheat and one million tonnes of rice during 1986-87 (*FE*).

The Oil and Natural Gas Commission has earned a profit of Rs. 923 crores during 1985-86 (*FE*).

APRIL 13

Japan has agreed to purchase 25 million tonnes of Kudremukh iron ore over the next ten years (*ET*).

The prime minister of Turkey, Turgut Ozal, said in Bombay that a gradual elimination of trade barriers was essential for a distinct improvement in the economic relations between countries in the southern hemisphere (*ET*).

APRIL 14

At least 50 pilgrims were killed and scores of others injured in a stampede in the Pant Dweep area of Haridwar on the occasion of the Kumbh Mela festival.

APRIL 15

American warplanes bombed the Libyan port cities of Tripoli and Bengazi. In a national broadcast, President Ronald Reagan said the bombing was a "pre-emptive action" designed to prevent further Libya-sponsored terrorist attacks.

APRIL 16

The Union government has constituted a nine member high level apex committee headed by D.V. Kapur, secretary, department of chemicals and petrochemicals, to formulate a long-term integrated plan for the growth of the petrochemicals industry.

Four companies of the Bajaj group — Bajaj Auto, Bajaj Electricals, Hindustan Sugar Mills and Mukand Iron & Steel — resigned from the Federation of Indian Chambers of Commerce and Industry.

The ministerial meeting of the Nonaligned Coordinating Bureau began at New Delhi.

APRIL 17

The finance minister has released a set of ground rules for searches and seizures by the tax authorities. According to these revised instructions, searches and seizures of records and assets of business can be effected only according to the provisions of the Income Tax Act, the Customs Act, the Excise Act and the Foreign Exchange Regulation Act (*ET*).

APRIL 18

The Union finance secretary S. Venkataraman said in New Delhi that the government would launch the "mutual fund" to channelise fresh private investments in shares quoted in stock exchanges (*FE*).

The Sahu-Jain group of companies has resigned from FICCI. The group includes the Times of India publications.

BS = Business Standard, ET = The Economic Times, FE = Financial Express

NEXT FORTNIGHT

April 15 to 20. 1986
Cost effectiveness of human resources
Venue: Hotel Clarks Amer, Jaipur
Organisers: Management Development Institute, Gurgaon, Haryana (Tel: 21173)

April 28 to 30, 1986
Improving performance through people
Venue: Hotel Chola Sheraton, Madras
Organisers: Madras Management Association & National Institute of Personnel Management (Tel: 475800)

April 29 & 30, 1986
Import policy of India
Venue: Madras
Organisers: Indian Institute of Foreign Trade, New Delhi (Tel: 655124)

May 5 to 7, 1986
Cyclone disaster preparedness and management systems
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad (Tel: 36952)

April 28 to May 3, 1986
Supervisory Development course
Venue: CMA auditorium
Organisers: Calcutta Management Association Calcutta (Tel: 442815)

APPOINTMENTS

SENIOR ACCOUNTS MANAGER

We are the manufacturers of USHA sewing machines, electric fans and fuel injection equipment and are looking for an Accounts Manager for our factory at Calcutta.

The incumbent will have overall management of the finance & accounts function which includes accounts maintenance and finalisation, preparation of monthly/annual accounts, budgeting, financial/cost controls, dealings with banks, etc. Exposure to computerised accounting is desirable. Ability to provide effective team leadership is essential.

Applicants should preferably be Chartered Accountants, having over 5 years similar experience in a professionally managed manufacturing company.

The above position is in the senior management cadre of the Company. Salary will be over Rs.4,000/- p.m. depending on experience and capability. Additionally, benefits of house rent subsidy, furnishing, company car, medical benefits, L.T.A., C.P.F., gratuity etc. are available.

Please apply within 10 days with complete bio-data in an envelope marked P-86/1 to: The Jay Engineering Works Ltd., Post Box No.692, New Delhi-110 001.

JAY ENGINEERING
A SHRIRAM enterprise

APPOINTMENTS

SAMTEL (INDIA) LIMITED



A leading Group in the Electronics Industry, engaged in manufacture of T.V. Picture Tubes and allied products and poised for massive expansion

REQUIRES

GENERAL MANAGER (COMMERCIAL)

NEW DELHI — **Over Rs. 2.0 lacs per annum**

RESPONSIBILITY: This is a top level position to lead and coordinate a group of aggressive professionals in the functions of Marketing, Finance & Materials.

THE INCUMBENT: Would have been in a position of General Management for over five years in an established company and with a proven track record.

COMPANY SECRETARY

NEW DELHI — **Over Rs. 1.5 lacs per annum**

RESPONSIBILITY: All corporate secretarial functions, compliance of statutory provisions, obtaining Government approvals under Companies Act, MRTP Act and allied legislations, raising Share Capital and organising Board Meetings. Reporting to the Managing Director.

THE INCUMBENT: Would be a qualified Company Secretary with a minimum of 12 years relevant experience in a large/medium sized organisation.

Please apply with complete bio-data stating present salary and perks to:

Managing Director

Samtel (India) Limited

50-51, Community Centre
New Friends Colony
New Delhi 110 065

APPOINTMENTS

MARKETING MANAGER – FUEL INJECTION EQUIPMENT

We are a part of SHRIRAM enterprises, and are the second largest manufacturers of fuel injection equipment viz nozzles, elements, delivery valves, pumps and injectors. These products are manufactured with foreign technical collaboration.

Our production has been expanding over the years, and we are now strengthening our marketing function to meet our increased marketing requirements.

For the above requirements, we have vacancy for a Marketing Manager to be based in Delhi.

The Marketing Manager will have responsibility for national marketing of the output of the company's fuel injection equipment and also some other auto components.

The incumbent will have the ability to organise for achievement of sales targets, and plan publicity, sales promotion, townwise dealer network etc., in a highly competitive environment. The sales are to OEMs, state transport undertakings, trade etc., and cover commercial vehicles, tractors and agricultural stationary diesel engines.

Applicants should have about 7 years experience in a senior managerial position in marketing function of a large company; experience of marketing of similar products will be a preferred qualification.

Starting salary will be over Rs.5000/- per month depending on experience. Additionally, benefits of company car with driver, free furnished house, medical subsidy, LTA, provident fund, gratuity etc. are available.

Please apply within 15 days with complete bio-data in an envelope marked P–86/3 to: The Jay Engineering Works Ltd., Post Box No.692, New Delhi–110 001.

JAY ENGINEERING
A SHRIRAM enterprise

BusinessWorld

needs a

Correspondent at Delhi and Bombay

Applicants should be graduates/ post-graduates in economics or business management and have a flair for writing, a sound knowledge of business and the ability to work to short deadlines. Some writing experience is essential and previous experience in industry will be considered an added qualification.

Salaries are generous by publishing industry standards and will be commensurate with qualifications and experience.

Age: between 25-40 years.

Kindly send your application to:

The Editor,
BusinessWorld,
145 Atlanta,
209 Ceremonial Boulevard,
Nariman Point,
Bombay 400 021.

Tax raids in perspective

M.V. KAMATH



Over the last few months, a concerted effort has been made to pull Rajiv Gandhi down and if that is not possible, to contain him. Editorials are appearing with increasing frequency in the "national" newspapers run by business houses which vehemently, even virulently, attack Rajiv personally and his government's policies generally. Clearly, some mischief is afoot.

Leading the pack is a major newspaper which has been unrelenting in its criticism of Rajiv Gandhi. The criticism, at first somewhat muted, began to gather momentum as the income tax raids by the government were stepped up. But regardless of whether there is a nexus between big business and the daily, it seems clear that the press is out to get Mr. Gandhi.

Whether newspapers singly or working as a pack can bring down the present Union government edifice is a matter of opinion. But side by side with editorial criticism, we see dissidents within the Congress working overtime to rouse public opinion against the prime minister.

The dissidents are a pretty unwholesome lot and include such discredited individuals as Karnataka's Gundu Rao, Gujarat's Madhavsinh Solanki, Bihar's Jagannath Mishra, Maharashtra's A.R. Antulay and West Bengal's Pranab Mukherjee. Reportedly sitting on the fence are Maharashtra's Vasantdada Patil, Madhya Pradesh's discredited Vidya Charan Shukla and Karnataka's C.K. Jaffer Sharief. Singly or together they are no more than a row of ciphers. But they are getting the publicity they want from the press.

They have been cut to size by Rajiv Gandhi and they are resentful. Solanki wrote a note to Rajiv, plainly telling him that support for the Congress(I) is on the wane and that the party has been doing a "continuous down-the-hill march since December 1984." And to make sure that everybody heard his views, he leaked the contents of the note to *The Times of India*, which obligingly published it.

LAUGHING STOCK

Both Pranab Mukherjee (who has no political base and had to be elected from an obliging Gujarat constituency on the Congress(I) ticket) and Gundu Rao have been quietly floating the idea of starting another party. Rao is reported to have said: "I don't see any point in waiting. We will call the party the Indian National Congress. It will include congressmen like Pranab Mukherjee, Jagannath Mishra, Pahadia and others." It would be a great day indeed if Gundu Rao starts another party and makes himself the laughing stock of the country. If we can forgive him his presumptuousness in wanting to name a new party the Indian National Congress, we could thank him at least for making the Congress(I) a cleaner place for the rest.

The late Mrs. Gandhi rode the storm when the so-called syndicate mounted a challenge to her in 1969. In due course, such stalwarts as Nijalingappa, S.K. Patil and Atulya Ghosh fell by the wayside, and were heard of no more. Whether Rajiv Gandhi has the same charisma as his mother remains to be seen. But this bunch of leaders led by Gundu Rao are not a patch on Messrs. Nijalingappa and Patil who at least had a lifetime of national service behind them as Congress workers.

It is not that Pranab Mukherjee, for example, is unaware of his low standing in the eyes of the voting public. For all the efforts on the part of some newspapers to boost him, Mukherjee at least has the good sense to know his limitations, unlike the impetuous Gundu Rao.

But the petty politicking of such has-beens apart, what should worry Rajiv Gandhi is the open revolt that is being encouraged by a part of the business community against him through the newspapers they control. The nexus between the politician, the bureaucrat, big business and organised labour is something worth watching. Professor V.L. Mote of the Indian Institute of Management, Ahmedabad has referred to these power groups (*BusinessWorld* March 31-April 13, p.39) as the Gang of Four. And it is a vicious gang.

ACTIVE CONNIVANCE

For years the Gang of Four has been feeding on the public and has corrupted not just the country's politics, but society in its entirety. During Mrs. Gandhi's regime tax evasion rose to unprecedented heights. This would not have been possible without the active connivance of both ministers and officials. In the circumstances the country had been badly let down and this cheating of the public would have continued had not the Rajiv Gandhi government stepped up its raids and put the fear of God into the business community. For doing its job, the business community has been crying foul and accusing the government of succumbing to "populism," whatever that means.

The Federation of Indian Chambers of Commerce and Industry (FICCI) has protested; its spokesman in Parliament, K.K. Birla, has made his mandatory speech asking government to exercise restraint. Restraint, however, was not exercised by the business community as it merrily went on to rob the country of its revenues under the pretext that "the restrictive attitudes and policies of the past three decades which have resulted in excessive regulation of the economy, have given rise to numerous legislative and regulatory measures which, with their conflicting provisions and differing interpretations, have made their strict observance quite difficult," in the words of Ramkrishna Bajaj. Quite difficult it may be, but surely not impossible?

The truth seems to be that as long as the business community did not feel threatened, it was perfectly content to go its way, forgetting to pay excise and income tax on three fourths of its production and income, thus committing a gigantic fraud on the nation which has been forced to go to international agencies to raise funds for development purposes. It requires some gall for an opinion-maker in a national newspaper to say that he regards "the raids as an utter violation of the rule of law."

This does not mean that we can absolve the government of all blame. Of the Gang of Four, so far only two — the business community and to a small extent the bureaucracy — have been raided. But what about organised labour leaders and the politicians? How many ministers, ex-ministers, politicians and power-brokers have been raided and arrested thus far? None. Even A.R. Antulay is a free man.

For government to win credibility, it must put the power-broker in his place. It may lead to many revelations, but that is what the struggle for a clean government is all about. And the public demands a clean government. For the nonce, Rajiv Gandhi needs support, not contumely.

BANKING AND FINANCE

A.K. GANGULY

Interest rates jungle



New Delhi has been following a policy on deposit interest rates which has, predictably, stirred up a hornets' nest around its ears. While trade and industry have been perpetually crying for a reduction in the ceiling rate of 17.5% on commercial credit, banks have been opposing the proposal tooth and nail since their profits have been squeezed as a result of the pressure to pay high interest rates on term deposits — 11% for five years or over. The prime lending rate in India is among the highest in the world because of cross-subsidisation — lower interest rates ranging between 12%-14% for the priority sector, while 46% of bank funds have to be deposited with the RBI under the cash reserve ratio (CRR) and the statutory liquidity ratio (SLR) schemes.

Unfortunately, Union finance minister V.P. Singh deliberately evaded the issue when he admitted at the recently concluded FICCI annual session that the ceiling rate of commercial credit was quite high but pointed out that "cheap money was meant for weaker sections of society" though there could be a dialogue on lower interest rates.

Constructive suggestions. But the long-standing debate on high interest rates has never developed into a dialogue because of the official policy of encouraging the cross-subsidisation of bank credit — low interest rates on priority sector credit and high interest rates on commercial loans, leading the banks to lose in the swings what they gain in the roundabouts. The James Raj Committee made constructive suggestions for streamlining the deposit interest rate structure. But the suggestions fell on deaf ears because of opposition from vested interests.

Now the Chakravarty Committee has also said that there is a crucial need for rationalising the administered interest rate structure. The committee has confirmed that the interest rates on a substantial portion of bank money are either lower than or barely above the cost of funds, which is not a healthy position at all.

The structure of interest rates that prevails at present is highly unprofitable for banks. Sixteen per cent of all bank deposits are in current accounts, which do not pay interest, while savings bank accounts, which pay 5% as interest, constitute 28% of all deposits. The remaining 56% of accounts are in fixed deposits, which offer interest rates varying between 8%-11%. Because of the steady rise in operating costs, bank managements are convinced that the banking sector will be given a virtual kiss of death if interest rates on commercial credit are reduced without a corresponding cut in deposit interest rates. There is some evidence to support this contention. The ratio of profit as a percentage of working funds declined to 0.13 in 1983 from 0.18 in 1981.

Nor does it seem possible to reduce deposit rates because of the cut-throat competition provided by the funds hungry corporate sector. The maximum interest rate paid by companies for three-year deposits is 15%, and convertible and non-convertible debentures offer similar interest rates.

Sharp increase. As on 31st March 1984, total deposits with non-financial companies aggregated to Rs. 2,058.9 crores while the financial companies, such as hire-purchase, loan and investment companies, and housing finance and investment units mobilised deposits to the tune of another Rs. 274.1 crores. While aggregate deposits in the banking sector at Rs. 86,762 crores on 14th March are massive by comparison, there is no denying that the quantum of deposits with companies — both financial and non-financial — has increased sharply over the last two years. But the Union finance ministry and the Reserve Bank have remained passive spectators.

No wonder, all talk of streamlining deposit interest rates remains meaningless with no steps being taken towards rationalisation. The result is a continuing anarchy where the law of the jungle seems to prevail. The best way to end it is by not paying lip-service to the populist lending policies but by courageously streamlining the interest rates offered by competing deposit mobilising agencies with the banks' lending rates. One of the solutions could be to increase the interest rate on concessional lending for the priority sectors by at least 2% because of the rising operational cost of banks and to raise the banks' deposit rates by 1%-2% to ensure a steady flow of deposits. Banks will then have a better financial base, apart from their becoming more cost-effective.

COMPANIES

Peerless' troubled waters

The Calcutta-based Peerless General Finance & Investment Co. Ltd. — which describes itself as "India's largest non-bank savings company" — is sliding into waters which are both murky and deep.

As is well known, the company's troubles began when the Calcutta high court dismissed Peerless' six year old writ petition on 14th March and held that this "non-bank savings" company does indeed fall within the purview of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. As a consequence of this judgement, the stay order and interim injunction dated 3rd September 1979 obtained by the company was vacated, thus effectively dealing a severe blow to its business of accepting deposits and advancing loans.

However, the court allowed the company a breather by staying its own judgement for three weeks to enable it to appeal. At the time of writing (15th April), the company's appeal is being heard by a division bench of the Calcutta high court which has so far been extending the stay order on the judgement from each hearing to the next. Little wonder that Peerless managers and employees believe that the company's future hangs precariously in the balance.

Predictably, the management of the beleaguered company is pulling out all the stops to retrieve its credibility. One main plank of its strategy seems to be an all out effort to establish that it has all along been in business with the authorities' "tacit" approval, the winding up notice served by the Reserve Bank of India(RBI) under the above Act of Parliament notwithstanding. "The RBI's opposition to the business operation of Peerless is difficult to understand as it was with the RBI's tacit approval and patronage that the company grew to this extent," said S.K. Roy (44), wholetime director of Peerless, to *The Telegraph* the day after the high court pronounced its judgement.

In-depth analysis. Roy pointed out that on 3rd December 1973, after making an "in-depth analysis" of Peerless' schemes and "fully satisfying itself" of their validity, the RBI chose to exempt the company from the restriction applicable to non-banking companies that public deposits

cannot exceed 25% of reserves plus paid-up capital. "The RBI waived this stipulation for Peerless alone," added Roy.

According to Roy, RBI's present "*volte face* is not understandable" for another reason, too. In 1978, he adds, the RBI had "reviewed the position" of the company and filed an affidavit with the Calcutta high court "in connection with another case" appreciating the "soundness of Peerless' schemes, its actuarial and scientific accounting procedure and the soundness of its investment policy as well as financial position." It is understood that the company has written to Union finance minister V.P. Singh informing him of these "facts."

In its letter to the finance minister, the company has also cited the legal opinion given to it in 1980 by counsel Ashoke Sen — who is the incumbent Union law minister. Asked whether Peerless' schemes were covered by the definition of "money circulation schemes" in the above Act, Sen, who is highly rated as one of the country's top drawer legal practitioners, had then opined in writing: "No, the schemes of the company are of long term deposit, which do not provide for any quick or easy money or for the payment of any money depending upon any contingency. This involves the right of the depositor to claim repayment of the deposits after the agreed long term with a reasonable return by way of interest. The depositor does not have any right either to get any prizes of quick or easy money depending upon any contingency. There is no lottery or gambling or speculation involved in the scheme of the company."

Sen still stands by his opinion. He was quoted by *The Telegraph* (14th April) as saying: "My opinion given in 1980 is very clear. Peerless is not governed by the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. I still hold the same opinion. However, as a Union minister, I cannot comment on the issue."

Unfortunately, the definition of the term "money circulation scheme" is laid down in the Act with characteristic circumlocution leaving it open to interpretation wrangles. Under s.2(C) of the Act, a money circulation scheme means "any scheme by whatever name called for the making of quick or easy money or for the receipt of any money or valuable thing as the consideration for a promise to pay money on any event... whether or not such money or thing is derived from the entrance money of the members of such scheme or periodical subscriptions." It is hardly very surprising that learned arguments have been exchanged on the meaning and scope of this definition.

Mind-boggling sum. But then legal wrangles constitute only a part of Peerless' problems. The other part is the not inconsiderable flak — bordering on ridicule — that its accounting practices have attracted. To explain: Peerless accounts the first year's subscription from depositors as income and not as a liability. Thus, in the calendar year 1984 (the latest accounting period for which figures are available), a mind-boggling sum of Rs. 126.5 crores is shown as income "by first year's subscription on welfare endowment certificates." Of this sum, a staggering Rs. 93.9 crores — or 74.2% — was paid out as "commission to field force." On the other hand, interest and dividend earned (Rs. 40.9 crores) was almost entirely wiped out by interest paid and accrued (Rs. 38.8 crores). It is charged that the latter differential is the company's "true" income and that by taking the first year's subscription as income, the company "grossly overstates" its earnings and understates its liabilities.

Nor is this the only criticism of Peerless' dubious accounting practices. The balance sheet as on 31st December 1984 shows "outstanding commission" to the tune of Rs. 102.1 crores as a current liability. Only six years ago, this sum was a fraction at Rs. 8.9 crores. In 1983, the corresponding sum was Rs. 78.1 crores. Why has this bit of liability been compounding itself at a rate of well over 100% per annum? Its genesis is explained in a confidential note dated 16th July 1979 which was prepared by the department of non-banking companies of the RBI: "As the rates of commission payable to the field staff are linked with the amount of fresh business secured by them, payment of commission is withheld in respect of the agents who fail to conform to the eligibility criteria for getting the full amount of commission. Thus, under the system adopted by the company, whatever amount is initially earmarked as commission payable does not become automatically payable to its field staff. As a result, the figure of outstanding commission carried over to the balance sheet is mounting up from year to year and the company has not devised any method to wipe off the amounts in respect of which no liability at all is likely to accrue. A part of the amount is, therefore, in the nature of an undisclosed reserve."

Scientific principles. On its part, the Peerless management airily dismisses as "propaganda" criticism of its accounting practices. "Since our system of accounting is based on scientific actuarial principles, it is both perfectly legitimate and fair. Our method of treating the first year's subscriptions ... as income is scientific and commensurate with the company's nature of business," trumpets a company booklet rebutting this charge among others.



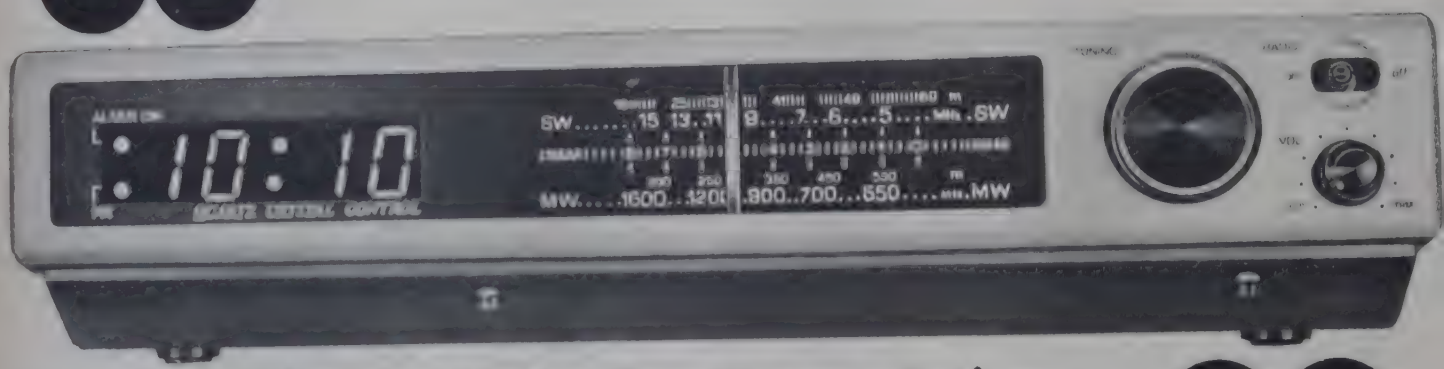
Anxious depositors at Peerless House. Inset:

The company's auditors (Messrs. De & Bose, Calcutta) concur by qualifying the accounts with the following note: "The accounting procedure consistently followed by the company is based upon the actuarial principle of taking the credit of first year's subscription into revenue account relying upon the terms of contract with the certificate holders."

Obviously, it is not easy to substantiate the charge that Peerless' accounting practices are illegal or *mala fide*. At worst, they might seem somewhat *passe* and anachronistic — but then this is a matter of subjective opinion. And this holds equally true for the claim that "Peerless offers 100% security." The fact is that a certain sum of money which the company claims is its "contractual liability to the certificate holders" is deposited with United Bank of India "which exercises a lien on the

PHILIPS

PEOPLE CALL IT NAMES:



A radio. A clock. An alarm. A timer. That's what they call the amazingly versatile Philips Clock Radio!

The Philips Quartz Control Clock Radio: one name, many uses.

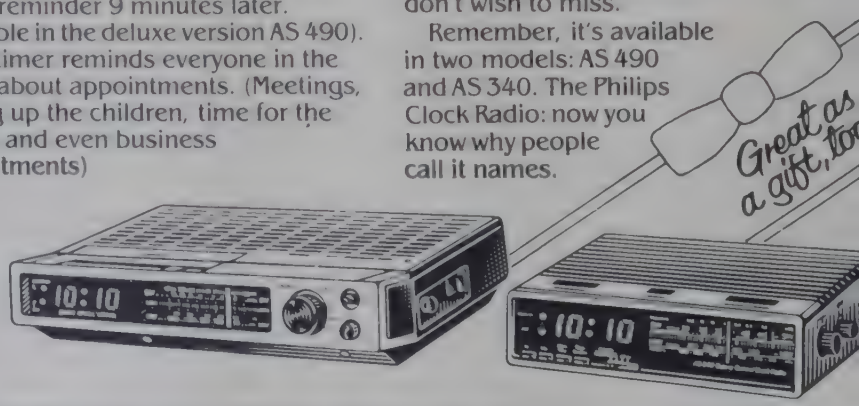
The powerful MW/SW radio can be set to switch off — automatically — minutes after you drop off to sleep. And wake you up whenever you wish to be woken up. (To a buzz or the melody of a favourite programme — the choice is yours!)

And you can use the alarm like an alarm. Plus, the "snooze facility" is a gentle reminder 9 minutes later. (Available in the deluxe version AS 490).

The timer reminds everyone in the family about appointments. (Meetings, picking up the children, time for the movie, and even business appointments)

There's more: pre-set the radio and alarm for the news or a programme you don't wish to miss.

Remember, it's available in two models: AS 490 and AS 340. The Philips Clock Radio: now you know why people call it names.



CLARION/B/P/171/254

Philips – the trusted Indian household name for over fifty years

same as per arrangement made by the company to protect (the latter's) interests." On 31st December 1984, this sum aggregated to Rs. 525.9 crores. However, in one of its public relations presentations, Peerless says that it "puts every paisa of the certificate holders' funds in government custody, fixed deposits and GP notes in nationalised banks for 100% security."

A cursory glance at the company's latest balance sheet reveals that in 1984 first year subscriptions and renewals aggregated about Rs. 227.9 crores. From this inflow of certificate holders' funds, only Rs. 144.5 crores went into gilt-edged securities during 1984. While it is possible that this could have sufficed to cover the company's "contractual liability," it is patent that "every paisa" of the depositors' funds did not go into the custody of the government.

Soft option. All this put together leads to the inescapable conclusion that Peerless' presently troubled waters are indeed both murky and deep. Predictably, its employees' and officers' unions who know of a soft option, are stridently demanding nationalisation, and not surprisingly, the Marxist dominated West Bengal legislative assembly passed a resolution to this effect, too, on 1st April.

Clearly, the company's operations raise compelling issues quite apart from and beyond the legal tangle which is being unravelled in the Calcutta high court. The finance ministry will have to take a stand sooner or later. And given that hundreds of crores of public money is involved, obviously the sooner it does so, the better.

Sujoy Gupta in Calcutta

MARKETING

Light on a grey patch

Judging by the frequency and the almost desperate character of sales promotional campaigns which offer "free" gifts to consumers in recent times, there is little doubt that the salad days of the sellers market for consumer goods are well and truly over. According to one estimate, over 50 companies have used "gift" linked promotional campaigns in 1985 to bolster their sagging sales graphs or keep market shares intact. Not that the mere linking of promotional campaigns to the offer of a gift is in any way unusual or novel. Marketing and advertising professionals in such intensely competitive businesses as toilet soaps, cosmetics, detergents and processed foods have used these promotional campaigns for years without causing eyebrows to be raised.

Yet, sales promotional campaigns which promise gifts and benefits have come under a cloud of late. According to a news report in *The Economic Times* (28th March 1986), the New Delhi-based Monopolies and Restrictive Trade Practices Commission (MRTPC) is investigating the promotional campaigns of as many as 60 well-known and otherwise respected companies for alleged unfair trade practices. Almost all the companies under investigation including such names as the East India Hotels group (Oberoi Hotels), Usha Fans, Dalmia Resorts, Sinclair TV, Indian Sewing Machine Co. Ltd. (Meritt), are alleged to have promised customers "free" gifts and benefits, even though the costs of such free gifts and benefits were sought to be partially or fully recovered by increasing the retail price of the product. The promotional campaigns of such companies as Khaitan Fans Ltd., Colgate Palmolive (India) Ltd., Bata India Ltd., ITC Ltd., Cadburys India Ltd., and Food Specialities Ltd., which were investigated by the MRTPC in late 1984 and after, for resorting to unfair trade practices involving promotional schemes, have all been prohibited under a cease-and-desist order issued by the commission.

Ominous judgements. Though the MRTPC investigates only a small fraction of the cases which involve unfair trade practices and has hitherto tended to exhibit a special animus against multinational linked companies, its record of a near 100% adverse judgements against the companies it has hitherto investigated is ominous. The chances are that an overwhelming majority of the cases currently under its scrutiny will result in adverse judgements of the cease-and-desist variety as well. The conclusion that, in the MRTPC's view, most promotional campaigns are deceitful and unfair, is therefore not entirely unwarranted.

It is against this background that the recent (27th March) vacation of the commission's earlier *ex parte* injunction against Blow Plast Ltd. (sales: Rs. 34.34 crores in the year ended 31st July 1984), the Bombay-based manufacturer of moulded and soft luggage, assumes significance. Blow Plast had recently (15th January) launched a promotional advertising campaign which offered purchasers of suitcases manufactured by the company a booklet of 25 coupons, which the customer could use to purchase specified consumer products at discounted prices. The body copy of the advertisement led off with a headline which read, "Save as much as Rs. 5,000." The visuals depicted a range of consumer products which would be available at specified discounted prices ranging between 5%-30% of the listed price of the products in question.

Two separate complaints, filed by the directorate of investigation and registration — a division of the Company Law Board — and a Delhi-based advocate Madhu Singh with the MRTPC, on 4th and 7th March respectively, alleged that the advertisement was misleading because (a) a consumer would have to purchase goods aggregating to Rs. 60,000 to avail of a discount of Rs. 5,000, (b) that in several cases the discounts offered as part of the campaign were available "even otherwise," and (c) that the discounts were available only at a limited number of retail outlets which would mean that a consumer would have to travel long distances to avail of the discounts. This resulted in the MRTPC passing an interim injunction against Blow Plast to withhold the campaign until its case was heard.

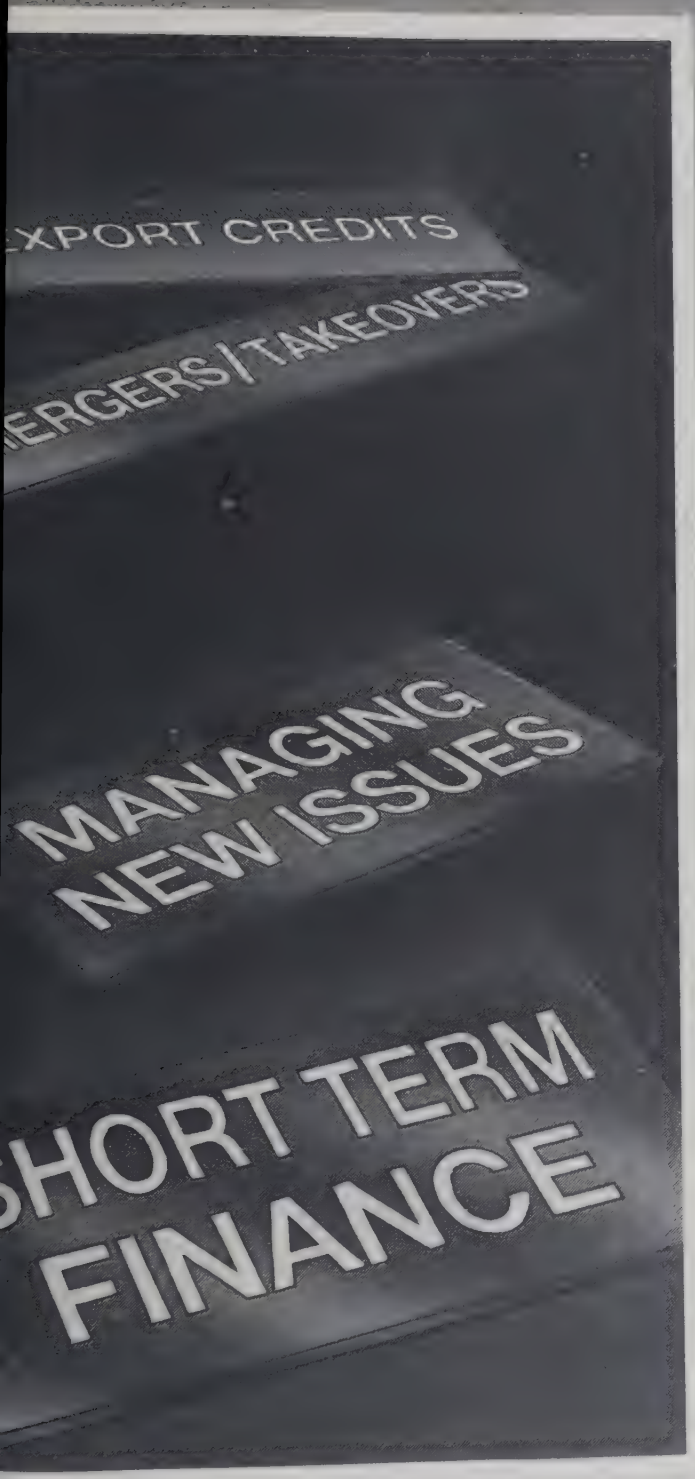
However, when the MRTPC passed its final verdict, delivered in a terse note dated 27th March, it made no reference to the complaints and their validity. As a "face saving" measure, the commission however ordered Blow Plast to alter the body copy of its advertisement to read "You can save up to Rs. 5,000 if you buy all these products," instead of the original copy which read "Save as much as Rs. 5,000." The order permitted Blow Plast to continue advertising the scheme with this modification implying that the complainants against the company were substantially invalid.

Little substance. Comments Dilip Piramal (35), chairman of Blow Plast, "There was little substance in the complainants' case that our advertising campaign involved unfair trade practices. But since the MRTPC had already rushed into issuing an *ex-parte* (i.e. without reference to the accused party) injunction against our scheme, implying that we had committed a grave misdemeanour which needed to be stopped forthwith if the consumer interest was to be served, they had to demand a face saving modification of the advertisement."

Piramal is not surprisingly inclined to believe that at least one of the two complainants were motivated by pecuniary considerations at the behest of the company's competitors. "We offered a promotional scheme which was entirely



Merchant Banking, four times better.



Now turn to our full range of Merchant Banking services in New Delhi, Calcutta and Madras as well as Bombay.

A global network that keeps us in constant touch with every major financial centre in the world.

A team of innovative thinkers who look for solutions instead of excuses.

And a proven record of assisting blue chip corporations in their financial transactions.

These are the strengths that have helped us give our customers the financial edge. Strengths that you can now tap in any of the four metropolitan cities.

Isn't it time we talked?

HongkongBank

The Hongkong and Shanghai Banking Corporation

Merchant Banking

Bombay • Calcutta • New Delhi • Madras

We give you the edge where it counts.

above board. Many manufacturers of consumer goods offer some discounts as part of their sales promotional campaigns. So all we did was to link our sales to the sales of other companies. We did of course insist on somewhat larger discounts than would have been otherwise available, but in essence, the discounts offered on the various products offered as part of the scheme were already being offered by manufacturers to their retailers, even if they were not always passed on to the consumer."

But even as the MRTPC's final judgement in the Blow Plast case draws a clear line through the grey region that separates fair trade practices from unfair ones, and thereby provides a clear precedent for subsequent promotional schemes, the frequent resort to devious and unfair trade practices amongst even the most reputable manufacturers is now clearly under notice.

The promotional schemes that the MRTPC finds particularly objectionable are the ones which involve false claims of offering a free gift to a consumer who purchases a particular company's product. The most notable case in this class relates to Food Specialities Ltd. (FSL), the New Delhi-based manufacturer of such popular processed foods as Nescafe, Nestum milk food and Maggi noodles. On the complaint filed by the Ahmedabad-based Consumer Education and Research Centre that FSL had misleadingly claimed that it was offering a free cold coffee shaker along with each pack of 200 gms of Nescafe Select Instant Coffee, when in actual fact the company had increased the price of this brand during the period, the MRTPC instituted an enquiry against the company on 18th December 1985, and subsequently barred the company from using the campaign.

Impossible task. Yet, according to Sushil Bahl, advertising and public relations manager of Hoechst India Ltd., the long time that the MRTPC takes to deliver a final verdict on a questionable campaign on the one hand, and the frequency with which it issues interim injunctions against campaigns makes legitimate sales promotion a virtually impossible task. Comments Bahl, "Though the MRTPC is playing an important watchdog role in regulating unfair trade practices, unless the MRTPC organisation is beefed up and expanded even legitimate promotional campaigns could be held up till they are no longer relevant."

This notwithstanding, the recent success of Blow Plast will undoubtedly also spur more than a few companies — which have hitherto held back their promotional campaigns because of a lack of clear guidelines on what is permissible



Piramal: above board

— to launch their own promotional campaigns as well. "The fact that our campaign was passed virtually intact by the MRTPC indicates that if a promotional campaign is shown to be fair and above board, it will be passed. But the case also highlights the need for a mechanism whereby prior approval of a promotional campaign can be obtained. This will save a lot of time and energy all round," says Piramal.

Indeed, now that the buyers' era has dawned in this country, the interests of the consumer would be best served by permitting the forces of competition in the marketplace to a free play within a framework of well defined norms. Such norms need to be specified in language shorn of unnecessary verbiage and ambiguity. But more importantly, a mechanism whereby a company can determine whether a promotional campaign meets the requirements of the norms quickly is the need of the hour. Should this be available, the MRTPC may soon find that it has a lot less work to do.

Michael Neri in Bombay

INFRASTRUCTURE

The quest for power

In power shortage prone Tamil Nadu, the advent of summer is a time when power availability is the subject of heated discussion. Consequently, the news that the public sector Neyveli Lignite Corporation (NLC) had switched on the first unit of its second thermal plant in the late hours of 29th March has almost certainly gladdened many a heart in India's southernmost state.

Inaugurated on 5th April by Union energy minister Vasant Sathe, the 210 Mw unit is the first of the three similar sized units of the second thermal plant (first stage). Initially, power generation will be kept at a manageable low of 20-40 Mw but after its synchronisation with the Tamil Nadu grid within a few days of going on stream, the power output will be stepped up at a faster-than-traditional pace until it touches its peak generation of 210 Mw by the end of April.

Plagued by delays, which played havoc with various commissioning schedules, the NLC management decided sometime in last July-August that traditional work practices would have to be forsaken for round-the-clock work to ensure that the first unit was commissioned in March this year. The second and third units are expected to be commissioned at intervals of nine months each.

According to NLC sources, the total project cost of the three new 210 Mw units will aggregate Rs. 468 crores while the cost of the first unit has aggregated Rs. 76.5 crores. In addition, NLC is expected to spend about Rs. 86 crores to lay 400 Kv transmission lines to the other areas to which power generation from the second thermal unit will begin to flow.

Shared power. Power from the second plant is proposed to be shared by the four southern states and one union territory unlike the existing (and first) 600 Mw thermal plant which supplies power exclusively to Tamil Nadu. In fact, the Centre has already announced the following shares for the beneficiaries of the recently commissioned unit: Andhra Pradesh 25.50 Mw, Karnataka 22.50 Mw, Kerala 16.50 Mw, Pondicherry 17.50 Mw and Tamil Nadu 46.50 Mw. Further, NLC has been allocated 50 Mw for its own consumption and 31.50 Mw remains unallocated.

However, even with this additional supply from the first unit of NLC's second thermal plant accruing to it, the power situation in Tamil Nadu remains uncertain, at least for the immediate future. By one of those inexplicable twists of fate, the second 235 Mw unit of the Madras Atomic Power Station (MAPS) at Kalpakkam, was shut down at around the same time on 29th March as the commissioning of NLC's first unit (second thermal plant). The first unit was already inoperative.

Further, one of the 210 Mw units at the Tuticorin Thermal Power Station (TTPS) had been shut down for over 15 days. The TTPS is Tamil Nadu's major thermal power plant and MAPS is the only nuclear

power station. With Kalpakkam's contribution down to zero and one of the 210 Mw units at TTPS also out of action, the Tamil Nadu grid will definitely experience some instability. According to newspaper reports, Bharat Heavy Electricals Ltd. is transferring the transformer intended for Narora in Punjab to Kalpakkam.

Thus, even with this additional allocation, the power supply situation in Tamil Nadu remains uncertain. Comments B. Vijayaraghavan (51), chairman of the Tamil Nadu Electricity Board (TNEB) and an officer in the state's IAS cadre: "This additional supply (from NLC) really does not help us very much in the context of the present problems at MAPS, Kalpakkam and TTPS. If one of the two units down at Kalpakkam and the TTPS unit are revived, we anticipate no problem. Else, we may have to go in for selective load shedding." Load shedding has in fact already been imposed since the first week of April.

However, even this has not materially altered the complexion of the situation. Says K. Ramamurthy (48), president, Mettur Chemicals & Industrial Corporation Ltd. (sales: Rs. 27 crores in the year ended 31st March 1986) who is also the chairman of the energy sub-committee of the Madras Chamber of Commerce and Industry and a member of the permanent consultancy cell of TNEB: "Despite a 40% power cut imposed on the industrial sector, demand has gone down only by 300 Mw. The unbridled demand today is 2,500 Mw; as against this, even the demand of 2,100-2,200 Mw is not being met in spite of adding 445 Mw capacity over the last few months i.e. at MAPS and NLC." In fact, the actual supply for the 1st April was only 1,814 Mw according to TNEB figures.

Bleak prospect. According to Ramamurthy, the prospect for the future is not too bright either. "In fact, I would say it is positively bleak. By April 1987, the total generation will be around 2,475 Mw. Thus, at the best of times, there is no match between present demand and future capacity. What this implies is that every year's incremental growth in demand adds to the existing deficit," he adds.

Thus, even while the installed capacity in the state has steadily risen from 571 Mw in 1960-61 to 3,344 Mw (including NLC) in 1984-85, the state has been a constant purchaser or importer of electricity. And the genesis of the present situation, according to Ramamurthy, lies in the past. "Tamil Nadu lost out in the early seventies mainly because of inadequate allocations by the state government for the power sector. There is a dictum that a 10% power shortage retards economic growth by 1%. We are today combating past misdeeds of not expanding capacity in time. For example, if TTPS had come up in 1972, then the growth in capacity over the years that would have followed would have been enough to take care of today's demand," says Ramamurthy.

However, at best, these are just hypothetical conjectures of what might have been. Yet, the consensus of opinion is that the options for increasing the availability of power are extremely limited.



Vijayaraghavan: not much help

The oft-repeated pronouncements of the mandarins in the Union energy ministry that by increasing the plant load factor (PLF) by 10% from the present 50% and reducing the transmission and distribution (T&D) losses from the present 21% to 10%, the overall availability of the thermal power would increase by 35%, thereby ending all power shortage in the country, do not seem to cut much ice.

Detailing his case, Vijayaraghavan argues, "In Tamil Nadu, the PLF has risen from 22% in 1980-81 to 46% in 1984-85 and touched 55% in 1985-86 despite our constantly receiving sub-standard coal. As against the desired 6,000 kilocalories per kg and ash content of 15%, the actual supply is of coal with 3,000 kilocalories per kg and ash content as high as 45%. Similarly, the level of T&D losses is 18.65% as against the national average of about 21%. Considering that we have the longest low tension (LT) network in the country — nearly 20% of the national LT network — this performance is good. If the LT network is reduced, T&D losses can be reduced further. However, we need to have a long LT network for agricultural users. Therefore, improvement can only be marginal."

Best network. Ramamurthy also concurs. "The scope for improvement in the PLF or T&D losses is limited. The power transmission network in Tamil Nadu is probably the best in the country. But for rural electrification, the economy of Tamil Nadu would have possibly been in a far worse shape today," he says.

Given that the traditionally touted alternative strategies have limited scope, Vijayaraghavan contends that the only option is to augment the power capacity in the state. Here again, there are problems. "As far as hydel power generation is concerned, there can be no increase till an amicable settlement in the matter of sharing the waters of inter-state rivers is reached. Theoretically, however, an increase up to 600 Mw is possible. In the thermal sector, we have the problem of getting adequate quantities of coal of a reasonable quality. Therefore, a major hope lies in developing NLC, which at present is in the Central sector, in the state sector. This would of course mean a major policy decision. But this is really a cost effective solution for Tamil Nadu's power problems," he says.

Adds Ramamurthy, "It is also high time that a regional grid is set up; it is a necessity. There must be a sacrifice by all in the larger interest. Second, a balancing of energy needs needs to be attempted. Certain industries, for whom power constitutes a negligible fraction of their overall cost, can afford to generate their own power. The demand that is so 'surrendered' will reduce the deficit correspondingly. Third, an upgradation in the quality of coal, today a major bugbear and constraint, is necessary. By blending domestic coal with imported coal, there can be an increase in power generation efficiency."

Tremendous growth. The industrial sector is also examining certain other alternatives. Major process industries are contemplating "co-generation." This is expected to be cheaper than diesel power and will be increasingly resorted to. In fact, Madras Refineries Ltd., Chemicals & Plastics Ltd. and Mettur Chemicals have already ordered the necessary equipment. In addition, the demand for diesel power, which has already witnessed a tremendous growth, will continue to grow. However, Indian industry as a whole has yet to take steps to conserve energy in a meaningful way.

In this quest for power, the private sector has also evinced interest in setting up a thermal power plant and a new company has been promoted for this purpose. The idea is to set up a 210 Mw plant in Tuticorin by the side of the existing plant, most probably based on imported coal. Says Vijayaraghavan, "As far as the private sector is concerned, we have an open door policy and will extend all support to them to enter the field of power generation. We would, however, prefer the plant not to be based on domestic coal for obvious reasons." However, the interest of the private sector has been considered a welcome development.

Indeed, given the not-too-promising power scenario in Tamil Nadu, there is no denying that the adage 'the more the merrier' holds good. However, the moot question that remains even as the state prepares itself for yet another torrid summer is whether future summers will be more tolerable.

Chandu Nair in Madras

INDUSTRY

The decline of SIDO

Is the Union government turning its face against the small-scale sector? Some recent developments indicate as much. Take for instance the decision to raise the investment limit on plant and machinery in small-scale units from Rs. 20 lakhs to Rs. 30 lakhs and Rs. 45 lakhs in the case of ancillaries. The "objective" is to aid modernisation but in effect it has cleared the way for big business to enter the small-scale sector through the back door.

Next came the hastily conceived and executed MODVAT scheme that has virtually brought the entire small-scale sector to a standstill. Close on its heels, arrives news that the Union industry ministry is considering the imposition of restrictions on the role of Small Industries Service Institutes (SISIS) in a few states, which curiously enough are headed by non-Congress (I) governments.

The proposal, mooted in early February, was ostensibly aimed at imparting a "sharper focus" to the SISIS in the "industrially advanced states of Karnataka, Tamil Nadu and West Bengal" by reducing their size and ambit on the ground that directorates of industries and district industry centres in these states were duplicating their work. Maharashtra and Gujarat also figured in the list, but not with the same degree of emphasis. The proposal was set out in letters addressed to industry secretaries of these five states by the Union industry ministry. This was followed by a meeting on 25th February in New Delhi to discuss the role of the SISIS in these five states.

Forceful argument. At the meeting, which was presided over by S.D. Srivastava, secretary in the Union industry ministry, the directors of industries in the five states forcefully argued for the continuance of the SISIS since their activities are "promotional" as opposed to the "regulatory" role of the directorates of industries and district industry centres. They argued that each was complementing the work of the other. The directors of SISIS of the concerned states and the development commissioner (small-scale industries), P.P. Khanna, under whose charge these institutes function, were present at the meeting.

However, according to a knowledgeable observer present at this conclave, Khanna, an IAS officer "who has little understanding of the small-scale sector and even less of the working of the various SISIS," made little attempt to support the cause of the institutes whose role was sought to be so drastically curtailed that many small industrialists see it as a prelude to their closure. However, the Karnataka government, prodded by top officials of the SISI, Bangalore, reacted quickly by dashing off letters voicing concern and protest to the Union industry ministry. The Karnataka Small Industries Association and the Small Industries and Business Entrepreneurs' Association of Madras also passed resolutions protesting against the proposed move.

Faced with such stiff resistance, the Union government — not wont to give up on what it seems to have already decided — has appointed a committee to go into the matter. The committee, it is learnt, is headed by Ram K. Vepa, a former development commissioner for small-scale industries, and significantly, an EX-IAS officer. The committee is expected to submit its report by the end of May.

The office of the development commissioner (SSI), commonly known as SIDO (Small Industries Development Organisation), is the nodal agency for formulating, coordinating and monitoring the policies and programmes for the promotion and development of small-scale industries in the country. It was established in 1954 following the recommendations of a Ford Foundation group of experts, who suggested the formation of a nodal agency to specifically sponsor the systematic growth and development of the small-scale sector through the establishment of SISIS and other similar organisations.

Initially, four regional institutes were set up in Delhi, Calcutta, Bombay and Madras. Today SIDO operates through a network of full-fledged institutes, branch offices and extension centres spread throughout the country. Though latest statistics are not available, according to SIDO's 1983-84 annual report, totally there are 26 SISIS, 40 extension centres, four regional centres, one product and process development centre, two footwear training centres and four production centres in the country. The network, says the report, is being extended by establishing new branch institutes in backward areas and 20 field testing stations in areas where specific types of industries are concentrated.

The SISIS have expertise in the fields of mechanical, electrical and metallurgical engineering, electronics, glass and ceramics, leather footwear, food processing industry, etc. They offer management consultancy, special entrepreneurial development programmes and laboratory facilities for analysing raw materials and finished products.

"The SISIS are the prime agencies for all technical literature relating to small-scale industry. Anyone who wants to start a small enterprise has to come to us," claims P. Lakshminarasimhaiah (58), who was till recently the director of SISI, Bangalore. "Having said this, I should also admit that no government agency today is in a position to meet the entire information, documentation and training needs of the small entrepreneur. The SISIS are handicapped by a paucity of funds: the annual allocation for the Bangalore institute is a mere Rs. 30 lakhs. Consequently, there is no institutionalisation of information. In other words, no data bank. When an experienced officer leaves or retires, his knowledge goes out with him. The SISI in Bangalore — established way back in 1959 — does not have a computer. Why speak of computers, we do not even have a Xerox machine! There is a lack of communication between the SISIS and the head office in Delhi. Worse, there is no direction from the top," he says.

This lack of direction, according to Lakshminarasimhaiah, now extends to the entire small-scale sector, which today produces goods and services valued at Rs. 50,000 crores every year and employs some nine million citizens in 1.2 million registered small-scale units. "Raising the investment limit on plant and machinery ill-serves the genuine small entrepreneur. In fact, 90% of the small-scale units are operating today with an investment in plant and machinery ranging between Rs. 5-10 lakhs. The whole



SISI headquarters in Bangalore. Inset: Nanjappa

idea seems to be to facilitate the entry of medium-scale enterprises into areas where small entrepreneurs with limited funds have hitherto been operating with profit, *viz.* electronics, consumer products, sewing machines, transformers and machine tools. Now even big business is entering these lines of business edging out the small fry. Why else should Brooke Bond commence selling spices or Food Specialities noodles? Unfortunately, the small entrepreneur, swamped by his own day-to-day problems, has no effective lobby at the Centre, where it counts," he says.

Only answer. According to K.L. Nanjappa (72), a former development commissioner for small-scale industries and a UNDP advisor on this sector, any product that can be technically and financially made by the small-scale sector should be left to it. "Even in Japan and the US, small-scale industry is protected by stringent legislation. If more jobs are to be created and the economy developed regionally, the development of small-scale industries is the only answer," he says. Nanjappa, who pioneered the development of the small industry in Karnataka and elsewhere, frankly describes the proposed move to restrict the SISIS' role in the south as an "extremely short-sighted step." "I would call it penny wise, pound foolish. There is enough work for the directorates of industry, the district industry centres and the SISIS," he adds.

However Nanjappa conceded that there is a case for revamping the SISIS. "Technology has changed drastically since the time the first SISI was set up, but these institutes have not kept pace. Officers with knowledge of and experience in traditional industries should be posted in rural areas and in their place freshers qualified in newer disciplines and managerial practices should be recruited. The officers should be well trained, both in India and abroad, as was the case during my time. The many posts of directors that are lying vacant should be filled up and promotion prospects and pay made more attractive," he says.

Nanjappa has a point. SIDO officials, for some reason, are now being treated as second class citizens. Top level recruitment for these organisations is at a standstill for years even as more institutes and branches are opened year after year. For instance, when the director of the SISI in Tamil Nadu retired, the head of the Hubli institute was deputed there. In Gulbarga, the branch office functions only in name since all the officials working there have been withdrawn. In Bangalore, a deputy director is holding charge in place of the director who has retired. No full time director is likely to be appointed there, nor has the deputy director any chance of being promoted. The non-replacement of personnel who leave or retire is more the norm than the exception.

As Nanjappa puts it, the design seems to be to neglect the SISIS and then cite their poor performance as a pretext to shut them down. "It is like closing down a hospital because a couple of patients have died," he says. Whether the official committee which is now examining the SISIS will prescribe a similar remedy remains to be seen.

N. Raghavan in Bangalore

TECHNOLOGY

Collaboration cost-benefits

"Missions," "thrust areas," "blue sky". This is not, as a casual reading might suggest, the lexicon of war. On the contrary these are the buzz words used by prime minister Rajiv Gandhi, which symbolise his determination to chart out a blueprint for a hi-tech future.

Replying to a debate in Parliament on 10th April, the prime minister stated that he was committed to the widespread use of technology in every sphere of life, identifying it with the very concept of development. Despite nearly every political gamble made by his government in recent times coming unstuck, resulting in a growing feeling in industry that he might choose to roll back the government's liberal policies which have been in force for more than a year now, the prime minister made it clear that nothing could be further from his mind.

At the same time, it is clear that a new policy for the creation of a scientific base in the country is on the anvil. Visualising three layers of efforts to ensure a quantum jump in the economy's technological levels, Rajiv Gandhi referred to five "missions" which have been selected: drinking water to all; self-sufficiency in oil seeds; removal of illiteracy; vaccination of children; and finally improved telecommunications. While the "thrust areas" were those in which maximum effort was needed to make country's economic advancement possible, "blue-sky" areas were those of fundamental research, which would not yield immediate results but create a wealth of knowledge for future advancement.

Sweet music. While this policy pronouncement was probably sweet music to the industrialists' community it must not be forgotten that the question of the transfer of technology has always been a hotly debated one. In recent times industry has been riding high on a wave of foreign collaborations in virtually every sector of the economy. However, it is not yet clear whether this infusion of much needed technology has been of a kind which permits industry to match the pace of technological development of the developed world, assuming of course that this has been the rationale for the import of technology.

One of the most important studies in this context which has recently come to light has been conducted by Ghayur



Alam: examination of technology buyers' perspective

Alam (36) under the aegis of the National Council for Applied Economic Research (NCAER). Within the small community of science policy researchers Alam is acknowledged to be something of an expert in the complex business of transfer of technology having worked for nearly 10 years in this field.

Based on a sample of over 200 firms the aim of the study has highlighted the inter-relationships between technological imports and technology development in Indian industry. "This study originated in tandem with similar research work which was being pursued in six research centres in Europe. While those studies looked at the attitude of firms supplying technology to India, logically we examined the buyers' perspective," says Alam.

Despite the straitjacketed methodology of questionnaires used by the NCAER team, it is the extensive interviews which complemented them that provide an element of credibility to the study. Cutting across sectors the sample consisted essentially of medium and large firms in Indian industry, at least one-third of which recorded annual sales turnovers of over Rs. 50 crores.

At the very outset, the study enters the relatively unexplored area of the motives that govern Indian firms signing technological collaboration contracts as these largely determine the nature and the success of such a venture. Not surprisingly Alam has come to the conclusion that a very large number of collaborations are signed up by Indian firms solely to capture new markets particularly in the area of import substitutions.

Pressure of competition. Only in a few cases have firms signed collaboration contracts because of the pressure of competition. "This is particularly true," says Alam. "When the impetus to collaborate has come from the government, it is either because the area was considered to be strategically important or where a multinational dominated." Naturally only a few firms had any degree of technological competence in the areas that they were entering and were signing up to save time and resources in developing their own technology to a higher level.

Belying the widely held belief that western multinationals are the prime movers in the signing of technology transfers as they relentlessly seek out new markets, Alam points out that the reverse is perhaps true. "In the collaboration agreements studied by us, nearly 80% were initiated by Indian firms." This has also been corroborated by the findings of the European studies, he says.

Moreover, in nearly 70% of the cases studied, more than one potential collaborator was approached, clearly reflecting the increasing incidence of choice available to Indian technology importers in recent times. Therefore the crucial question is what exactly governs the choice of the ultimate collaborator.

Yet another shibboleth demolished by the study pertains to the question of payments necessary to attract the kind of technology in which Indian firms are interested. Although, most joint-ventures complain loudly about the measly terms allowed by the Government of India both in terms of royalty and lumpsum payments, Alam's study points out that this is a facade.

Bargaining tool. "We have come across relatively few cases in our study where a supplier of technology refused to collaborate with an Indian firm because it considered payments to be insufficient," he declares. Indeed, not only do most Indian firms appear confident of being able to attract the pick of collaborators, many of them consider government regulations as a vital bargaining tool to lower the price of technology.

In one of the more significant sections of the study, Alam explores the relationship between the R&D efforts of Indian firms and the impact of technology transfers. Although most studies in the past have concentrated on an examination of the nature of governmental research and its utilisation, it is becoming increasingly clear that for any significant improvement in the technological capabilities of Indian firms, it is in-house R&D which makes all the difference.

While most firms in the NCAER sample claim to undertake some amount of R&D, typically they spent less than 1% of their turnover on R&D and employed less than 10 researchers. Apart from this the inevitable focus of firms was either on the adaptation of technology or the process of indigenisation given governmental stipulations in this regard. Although these changes are often crucial for the survival and growth of these firms, "very rarely have the technological changes been aimed at or led to significant technological developments. In most cases the technological activity was shortlived."

Learning process. At the beginning of a collaboration period as may be expected, the extent of learning is considerable. However, once the learning process is over, technological activity inevitably becomes limited to routine production. The conclusions are obvious. The example is quoted of a large heavy machinery manufacturing company which imported technology at about the same time as a Japanese firm in the late sixties. At the time of its collaboration the Indian firm was in the forefront of the international technological frontiers in this field. Since then however, it has remained technologically stagnant.

On the other hand, the Japanese firm which began on the same rung of technology has since emerged as one of the three largest manufacturers in this in-

dustry worldwide. Ironically, the Indian firm has recently entered into a collaboration with this very Japanese firm to update its technology once again.

As the basis of the recent drive to acquire technology is not only to allow Indian firms to bridge the gap that had sprung up in the seventies but also to provide the stepping stone for them to stay competitive henceforth, Alam argues that Indian firms should be allowed to import technology only in those fields in which they have previous experience. "Such a policy is especially relevant when one considers that in a larger number of cases the selection of the product is based on the availability of a protected market, due to import substitution policies and not the technological capability of the firm," he says.

An indicator of this is evident in that the range of products manufactured by a typical Indian firm is usually wider and more unrelated than in developed countries. Nor has this helped the export effort either, as most of the firms in this sample confirm that they are non-exporters and neither do they expect to commence exporting in the foreseeable future.

In this context, government stipulations enforcing an export commitment, while increasing the cost of technology imports do little to ensure that the firm will be able to export after the expiry of the agreement. The lure of the domestic market more than compensated for the lack of success in international markets.

Technological package. Alam therefore concludes that this very factor has also been responsible for the import of limited technology packages. "We feel — and some Indian firms confirm this — that they are mainly interested in importing technological packages which will enable them to begin production in the shortest time and are rarely interested in importing and using technology packages to become technologically dynamic and innovative."

If this indictment of Indian industry is as true today as at the time when the study was initiated (1982) there's trouble ahead. In the absence of a supporting research and development effort, reliance on periodic transfusions from outside is unsustainable. Such a lack of a scientific temper could lead to a perennial balance of payments problem within the economy because of a lack of a concentrated export effort. The onus is on Indian industry to prove that it is not an all-consuming black hole on the frontiers of technology.

Anand P. Raman in New Delhi

ECONOMIC COMMENT — MADHUSUDAN DAGA

The case for gold imports



The recent spurt in the price of gold to an all time high of Rs. 2,240 per 10 gm is eloquent testimony that the lure of the yellow metal in India is irresistible. This is because the ownership of gold facilitates the discharge of socio-economic obligations; it is a hedge against inflation; is readily saleable and constitutes an important investment option for unaccounted wealth. And above all, for millions of citizens gold denotes security for the family in times of need.

Consequently it is paradoxical that in this country, in which the demand for gold is insistent, there is no official source of supply. With the demand for gold being experienced by most citizens throughout their life spans from birth to death, it is a fundamental truth that official attempts to tarnish the gilt of gold have utterly failed despite legislation such as the Gold Control Act, 1963.

Researched conclusion. Shantilal Sonawala, president of the Bombay Bullion Association, has conducted considerable research to come to the conclusion that the demand for new, i.e. not recycled, gold is about 100 tonnes per year. According to his calculations assuming the population of India is 700 million, or about 140 million families, if it is calculated that 50% of families cannot afford to purchase gold due to poverty and that 25% of the families recycle old gold ornaments to make new ones, the other 25%, i.e. 35 million families, purchase new gold every year. Taking into consideration that each one of these 35 million families celebrates a marriage at least once in 15 years, the total number of marriage ceremonies works out to about 2.5 million every year. The minimum demand for gold for each marriage is estimated to be about 30 gm, given the soaring prices of the precious metal.

Besides, for other social and economic needs, e.g. investment and fashion, there is an effective demand for 30-50 tonnes of new gold. Though the demand is rising every year, a conservative estimate is that the aggregate effective demand is for 100-125 tonnes of new gold per year.

Given that there are no official supplies of gold, how is this demand for fresh gold satisfied? Against this large annual demand of 120-140 tonnes, actual Indian production aggregates a mere two tonnes, which goes directly into industry. And since there is no way it can officially meet this insistent effective demand for gold, the trade has to depend on the supplies brought into the country by clandestine means. Consequently, given the attendant 'costs' of smuggling, gold prices have always been appreciably higher in India than in overseas bullion markets. Currently the margin is about Rs. 500-700 per 10 gm, i.e. Rs. 50.000-70,000 per tonne.

To meet this insistent and ineradicable demand for gold, there is need to think in terms of permitting the official import of the precious yellow metal.

Indeed, there are several options open to the Union government to import gold without releasing foreign exchange. One practical proposition is to allow visitors from abroad to bring in a specific quantity of gold, say, 50 gm per visitor. An import duty of 25%-30% on the international price of gold could be levied on such imports.

Likewise, the Union government should also permit non-resident Indians and foreigners visiting India to import limited quantities of gold, while at the same time augmenting its revenues by levying an appropriate import duty. And thirdly, non-resident Indians should even be permitted to send gold in small quantities as gifts to their kith and kin every year.

Dramatic reduction. The adoption of these measures will facilitate the smooth supply of gold into India without the expenditure of foreign exchange. Every day about 8,000 passengers visit the country from abroad. Assuming that only 50% of them will bring gold into the country, the inflow will be 120-150 kg per day — equivalent to the entire inflow of unofficial gold.

There are other macro-economic advantages that will also accrue from permitting the official inflow of the yellow metal into the country. Among them: it will dramatically reduce the inflow of other so-called luxury goods such as television sets, video cassette recorders, watches, etc., into the country, thus benefiting indigenous industry; the exchequer could earn Rs. 200-300 crores by way of import duties; the erosion of public morality, which is the consequence of gold smuggling, could be reduced, if not eliminated; and the value of the rupee could be strengthened.

The budget and the salaried

H.P. RANINA



Last fortnight I had discussed the impact of the Union budget of 1986-87 on the law relating to capital gains. This time I intend discussing the effect of the budget provisions on the laws pertaining to other heads of income, such as salaries, income from property, gift tax and the like.

A budget provision of considerable import for salaried employees is the proposal to remove the ceiling on the exemption of house rent allowance, which is currently Rs. 400 per month. While the removal of the ceiling will help employees who are paid house rent allowance by their employers, it must be borne in mind that the benefit is available only to the extent of the actual house rent exceeding 10% of the salary.

In the interests of equity and justice, it is submitted that the benefit of house rent allowance should be extended to employees who live in their own houses, since it is now the policy of the government to encourage citizens to purchase their own homes. Hence, the exemption for house rent allowance should be granted even to those who reside in owned houses because such persons also incur substantial expenditure every month by way of municipal taxes, insurance premia, service charges and other outgoings.

For non-salaried employees, the provisions of s.80-GG of the Income Tax Act, 1961, have been relaxed. Under the existing provisions, any expenditure incurred by an assessee (other than those covered under s.10(13-A)) in excess of 10% of his total income towards payment of rent is allowed as a deduction in computing his total income, provided the amount of deduction does not exceed Rs. 400 per month or 15% of his total income of the year, whichever is less. The amendment seeks to raise this ceiling to Rs. 1,000 per month or 25% of an assessee's total income of the year, whichever is less. This amendment will take effect from 1st April 1987 and will, accordingly, apply in relation to the assessment year 1987-88 and subsequent years.

CONCESSIONAL BASIS

For house property owners, a couple of amendments have been made in the budget. Under the existing provisions of s.23(2) of the Income Tax Act, the annual value of a self-occupied house is determined on a concessional basis. The annual value of such a property is first determined in the same manner as if the property had been let and then it is reduced by one-half of the amount so determined or Rs. 3,600, whichever is less. However, when the sum so arrived at exceeds 10% of the total income of the owner, as computed without including the income from such property and without making any deduction under Chapter VI-A, the excess is disregarded.

While the abolition of notional income tax on one residential house is a welcome step, this proposal will adversely affect those persons who have purchased their residential property by borrowing funds or taking loans. This is in view of the fact that, at present, a house owner is entitled to set off interest and other expenses, which cannot be absorbed by the (notional) house property income, against his income from other sources such as salary, investments, etc. With effect from the assessment year 1987-88, this benefit will not be available as a result of the amendment.

Given the national policy to encourage people to buy their own homes, this proposal is inequitous. There is a strong case for the insertion of s.24-A, under which at least the interest paid on funds borrowed to build a house would be allowed as a deduction against income accruing from other sources such as salary, investment income, etc. Such deduction could be restricted to 25% of the total income of an assessee for a particular year or Rs. 1,000, whichever is less, as proposed under s.80-GG.

Though quite hard on young home purchasers, the budget offers small mercies. S.23(2) is sought to be substituted so as to provide that where the property consists of one house or a part of a house in the occupation of the owner for the purposes of his own residence, and is not actually let during any part of the previous year and no other benefit therefrom is derived by the owner, the annual value of such a house or part of the house shall be taken as nil.

In paragraph 98 of his budget speech, the finance minister stated that he also proposes to give relief in respect of expenses on medical treatment or amounts paid as medical premium on medical insurance policies signed with the General Insurance Corporation of India. Unfortunately, he has not made any provision in the Finance Bill 1986, to give such a deduction to self-employed persons and employees who are not reimbursed medical expenses by their employers, who need the concession as much.

FULLY DEDUCTIBLE

To give effect to such a proposal, it would be necessary to make an amendment to this effect under chapter VI-A of the Income Tax Act. The finance minister would do well to consider the adoption of the system as it exists in the US. Under this system, such medical expenses up to the first 10% of the taxable income are borne by the taxpayer and any excess of medical expenses above that limit is fully deductible from taxable income. This would ensure that heavy medical expenses incurred by an assessee in a certain year are deductible, whether such expenses are in the nature of hospitalisation expenses or expenses on purchase of drugs and other items, or fees paid to doctors, surgeons, consultants, nurses, etc.

In conclusion, it must be pointed out that the measures proposed by the finance minister pertaining to individuals will neither help in negating the impact of inflation nor will they promote the ability of fixed income earners to save and invest more. On the other hand, employees who have borrowed funds to purchase a house would be adversely affected as the interest, which was earlier deductible against the other income, will remain unabsorbed, up to Rs 5,000 per annum tax deduction given recently notwithstanding. This will increase the tax liability on such house owners.

This is a classic illustration of how an amendment conceived in the interest of the taxpayer can have the contrary effect upon a certain class of persons who, unfortunately, belong to a very vulnerable section of society. Thus, taking an overall view of the budget proposals, it appears that the salaried class of citizens will be worse off than before.

From Panama to Patalganga

Even as the sellers' markets of not so long ago rapidly change to buyers' markets in the case of a host of products and intermediates, there are still a few which continue to enjoy an assured demand. One such product is methanol — an intermediate that is widely used in the chemical industry — and the country imported 64,000 tonnes of it valued at Rs. 45 crores in 1984-85.

And rushing in to take advantage of this market opportunity is the Bombay-based Rama Petrochemicals Ltd. (RPL), which was incorporated in 1985 by the Panama-based non-resident Indian managed company, Indo-US Investment Inc. RPL is currently constructing a 60,000 tonnes per annum methanol manufacturing plant in Patalganga, Maharashtra. To part finance this project, the company is making a public issue of 34,80,000 equity shares of Rs. 10 each for cash at par to raise Rs. 3.48 crores, which opens for subscription on 28th April.

Addressing a press conference in Bombay on 7th April to announce the public issue, Vashu J. Ramsinghani (46), chairman and managing director of RPL, was confident that the company will experience little difficulty in marketing its entire production of methanol. "Our plant will be the largest of its kind in the country and will incorporate the latest technology from the internationally renowned West German firm Lurgi GmbH — a world leader in this field. Consequently, our product will be of the best quality," says Ramsinghani.

Special advantage. According to him, the Rs. 28.92 crore methanol manufacturing plant, by virtue of being situated in Patalganga in the notified backward district of Raigad in Maharashtra, enjoys a special locational advantage. "Patalganga is not only in close proximity to the sources of raw material, but also to major methanol consumers and I am confident that more than 50% of our production will be purchased by next-door companies such as Hindustan Organics, Bombay Dyeing, Reliance and Orkay," says Ramsinghani. "As we have a ready and captive market within a 10 km radius from our factory, we will be saving considerably on our transportation costs, apart from deriving other advantages by way of sales tax exemption, octroi, etc," he adds.

RPL is also expected to save on manufacturing costs on account of its unique "zero power" technology which is believed to be the most advanced method of manufacturing methanol. "Unlike conventional methanol plants, which have adopted high pressure technology, we will be using low pressure technology which will require no external power supply once the production is stabilised. We will thus be saving the cost of 7,000 kw of electricity annually which will help us considerably reduce our operational costs. We also have the additional advantage of low capital costs. Our 200 tonnes per day (tpd) methanol plant will cost only Rs. 28.92 crores while the 50 tpd methanol plant promoted by GNFC has cost around Rs. 18 crores," says Ramsinghani, justifying RPL's acquisition of the seven year old plant from Lurgi GmbH.



Ramsinghani: confident

Indeed stringent cost management has been the watchword of the Rama group of companies which have been operating in India since 1977. In particular, the Ramsinghanis are well known for their business acumen in taking over sick units and turning them around. Thus far the Rama group has developed diversified interests in pulp and paper, fertilisers, chemicals, steel and transportation. This has catapulted the group into the league of medium sized industrial agglomeration in the country with aggregate group turnover registering an annual growth rate of 290% from Rs. 1.5 crores in 1977-78 to Rs. 35 crores in 1985-86.

And with RPL expected to record a sale of Rs. 38.75 crores in its first year of operations (i.e. the year ending 31st March 1988), this low profile NRI group is all set to make it big back home.

V.A. ACHARYA IN BOMBAY

Big plans in Titaghur

The dilution of foreign equity holdings by FERA companies has become a rare event these days. Thus when the Titaghur (West Bengal)-based Holman Climax Manufacturing Ltd. (HCML), a subsidiary of the UK-based SIEBE plc group of companies — which includes world leaders in compressed air equipment and technology such as CompAir Holman Ltd. and CompAir Broomwade Ltd. — went public on 16th April, the issue generated more than passing interest.

Earlier, addressing a press conference at Calcutta on 2nd April, T.S. Sangha (46), a chartered engineer and fellow of the Institute of Mechanical Engineers, UK who is the incumbent chief executive of HCML, stated that the public issue will help dilute the foreign equity holding from 60% to 40% and facilitate HCML's rapid growth and modernisation. "The main objectives of the public issue are to reduce the foreign shareholding of CompAir International, UK in HCML which will free us from FERA constraints, and to make our equity shareholding pattern more broad-based. Besides, the fresh inflow of funds will also enable HCML to effect modernisation and also to partly

Sangha: three objectives



fund our working capital requirements which in turn will help us to sustain our growth," says Sangha.

According to Sangha, in India, HCML is recognised as one of the leading manufacturers of air compressors, rock drills, air legs, air winches and pneumatic tools, all of which "conform to international standards and enjoy wide customer acceptance." "These products find extensive use in mines, quarries, construction sites, as well as in the engineering industry, foundries, railways and defence establishments. They also serve the needs of priority sectors and areas of national importance," he says.

Excellent reputation. Sangha also derives considerable satisfaction from the "excellent" reputation that HCML has earned in the field of compressed air equipment. Its products are currently being used by companies such as Hindustan Copper Ltd., India Cements, Mysore Minerals, Durgapur Steel and the Union government's ordnance factories to name a few. HCML's financial performance has also been consistent with its modest sales turnover having increased from Rs. 3.64 crores in the year ended 31st March 1985 to Rs. 4.10 crores in 1986 while gross profit over the same period has increased from Rs. 17.60 lakhs to Rs. 21 lakhs.

As for future plans, HCML proposes to enter into a new technical collaboration agreement with CompAir Broomwade, UK for the manufacture of energy efficient compressors and with CompAir Holman Ltd., UK for more powerful rock drills and air legs. "Initially we will concentrate on the expansion and modernisation of the existing plant at Titaghur which will be partly funded from the sum of Rs. 32 lakhs being raised by the public issue. And within a couple of years we expect to invest an additional Rs. 3 crores which is to be raised by external borrowing and internal accruals," says Sangha. "Once implemented, these plans will enable HCML to offer the benefits of state-of-the-art technologies to Indian industry and raise its productivity and efficiency," he adds optimistically.

ASHOKE K. LAHA IN CALCUTTA

Schrader's seminar

On a recent business development visit to India was Leslie Ann Schrader, the young and knowledgeable international marketing manager of Cuno Inc.'s filteration and separation equipment division. The New York-based Cuno is among the five largest manufacturers of filteration equipment in the world and chalked up an estimated annual sales turnover of $70 million in the company's year ended 31st December 1985.



Schrader: "the level of knowledge of the filteration sciences in India is surprisingly good"

Limitless potential. According to Schrader — a business management graduate of West New England College, USA who signed up with Cuno in 1980 — the American company manufactures no less than 40,000 types of filteration equipment. This is used in a range of industries which require equipment for filtering river water to others engaged in the molecular separation business. "Simply put, filteration equipment is used for removing unwanted solids including rocks, stones and bacteria from liquids. Therefore the potential demand for filteration equipment is virtually limitless," says Schrader.

To bring Indian industry up to date with the latest filteration techniques in use in the US, Schrader addressed a seminar organised by Cuno's representative firm in India, BASP Industries. "The level of knowledge of the filteration sciences in India is surprisingly good and there is a major and growing market, especially for micro-filters, in this country. In particular, the interest expressed in the latest filteration techniques and equipment by representatives of the pharmaceuticals, chemicals, oil exploration and paint industries was very encouraging," says Schrader.

"India manufactures industrial filters of a basic kind, but there is a lack of consistency and standardisation in indigenously manufactured filteration equipment. Consequently, Cuno is exploring the possibilities of entering into licensing agreements with Indian companies under which we would transfer our technology for the manufacture of world standard filteration equipment. For the moment, we don't have any plans of investing in India," she adds.

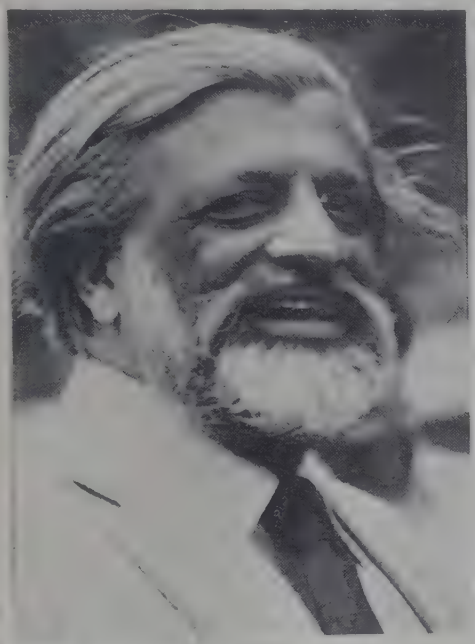
Growing market. Over the long term, as the tempo of industrial development in the country accelerates, Schrader expects the demand for filteration equipment to intensify. "The market for filteration equipment is growing the world over. In particular, there is considerable market potential for technologies to cleanse and filter drinking water, as also in the related pharmaceutical industry," says Schrader.

Not surprisingly, having discovered the potential of demand in the Indian market for Cuno's filteration equipment, Schrader plans to return to India in the autumn to conduct a few more seminars on filteration equipment and technology.

DILIP THAKORE IN BOMBAY

Ulka's silver

The Bombay-based Ulka Advertising Pvt. Ltd. (capitalised billings: Rs. 12 crores in the year ended 30th September 1985), one of the top 10 advertising agencies in the country, completed 25 years in this hurly-burly line of business earlier this year. And to commemorate the event, Ulka — a Sanskrit word meaning meteor — held a symposium titled 'Advertising and the Fourth Estate' in Bombay on 11th March, which was addressed by some of the hottest names in the print media.



Mundkur: modest goals

Not surprisingly, for Bal Mundkur (61), the promoter chairman of the company, the silver jubilee year was particularly significant. "To be quite honest, when I started Ulka back in 1961, my goals were very modest. I am extremely satisfied with what we have been able to achieve and particularly happy that we have done so without wining and dining our clients," says the quietly effervescent Mundkur, who has few formal qualifications to explain his remarkable success.

Currently, with a roster of 62 clients, including Safari Industries, Ciba-Geigy, Godrej & Boyce (the single largest account), Uptron, ITC and Hero Honda, among others, Ulka is among the fastest growing advertising agencies in the country. "We have grown at an average rate of 20%-25% per annum since the early eighties and during the current year (1985-86), our billings will increase by at least 50% over the previous year. Indeed, this will be the most dramatic year of growth in our history," says Mundkur. That this "most dramatic" growth should occur in the agency's silver jubilee year, is obviously a happy coincidence.

Yet, despite its glowing business development and impressive financial track record Ulka has, at least in recent years, failed to come up with any really 'creative' campaigns of the kind for which Rediffusion, for instance, has earned both name and fame. Admits Mundkur, "I think our best years in terms of creativity was the decade 1960-61 to 1970-71. Since then we have matured. Today it is not that we are not creative, but an agency's visibility also depends a lot on having the right mix of clients."

Innovative media. Nevertheless Mundkur is proud of Ulka's "pioneering" role in rural advertising. "We are the first advertising agency to have done a great deal in terms of using innovative media at the rural level. Ulka has refined a number of unconventional media and made tremendous use of folk theatre, professional story tellers, etc., for such clients as Indian Explosives, Crompton Greaves, and the government of India for its family planning campaign," he says.

And now with television reaching even the remotest areas in the country, Mundkur is confident that the advertising business is poised for a tremendous leap forward. "Television is the biggest thing to have happened to advertising in the last few years and the volume of advertising on television is bound to increase even further. While this will undoubtedly affect the press, it won't hurt it to the extent that it has hurt cinema. Nevertheless, there are bound to be a lot of casualties among magazines, particularly upcountry language publications," says Mundkur.

But even while the advertising fraternity as a whole is poised for a quantum jump in billings, Mundkur regrets that its ethics are waning. "Till about 1970, it was not unusual for a client to pick up the telephone and ask an agency to handle its advertising. Today he rings up six agencies and asks them to pitch for the account. In normal circumstances an advertiser has to pay a rejection fee to an agency if its presentation is not accepted. But agencies these days make speculative bids whereby it is not incumbent on the advertiser to pay any such fee. And this, I feel, is an unethical practice as in many cases an agency's costs of presentation for securing a Rs. 50 lakh account, for instance, can be as high as Rs. 1 lakh," he says.

It was ethical considerations which, according to Mundkur, also prevented Ulka from joining the recent stampede to conclude tie-ups with overseas advertising firms. "In India we have very little to offer foreign advertising firms, while we have all to gain from such an association. Hence I don't think it's quite fair to these overseas firms," he says.

Nevertheless, Ulka has — "after explaining the position clearly" — almost finalised a collaboration agreement with a leading US-based advertising agency which "will be concluded before June." As a consequence, Ulka is likely to bag several top notch multinational accounts in the country, which will perhaps give it the higher market profile that it deserves.

BINU S. THOMAS IN BOMBAY

Oberois' fast start

The Oberoi group of hotels seems all set to silence its critics who allege that the hotel chain has traditionally neglected the domestic circuit in its anxiety to expand overseas. The group's flagship company, East India Hotels Ltd. (EIH—sales:Rs.45.7 crores;pre-tax profit: Rs. 9 crores in the year ended 31st March 1985), has launched a feasibility study — being conducted by the Marketing and Research Group Pvt. Ltd. (MARG) — to promote new hotels in as many as 21 urban centres in India.

Announcing this at one of his rare press briefings in Calcutta on 7th April, the company's vice chairman and *de facto* chief executive P.R.S. ('Biki') Oberoi (57), said that among the cities being "looked at" are Gauhati, Cochin,

Oberoi: feasibility studies



SUNDAY
The best reporting

From the Ananda Bazar Group of Publications

Lucknow, Ahmedabad, Pune, Bhopal and Chandigarh. According to him, the 64-room 5-star hotel, Bhubaneshwar Oberoi, which was opened recently in the capital of Orissa, is the "forerunner" of the new genre of "relatively small yet full-fledged 5-star category" establishments to be managed by this premier hotels group.

At the same time, EIH — which incidentally owns and operates the group's existing hotels in India as well as Mercury Travels Ltd. — is already spending Rs. 30 crores in extensive renovations of its properties at Calcutta, New Delhi, Simla and Darjeeling. Besides, the 350-room new wing of Oberoi Towers, Bombay is also being readied for opening later this year: the expanded 1,050-room hotel will then reportedly be the largest one of its kind in Asia.

Well-known policy. To finance these hectic activities, EIH is making a rights issue of 22 lakh 15% secured redeemable non-convertible debentures of Rs. 100 each for cash at par to its 81,000 existing shareholders. This is in keeping with the company's well-known policy of raising its funds from the investing public rather than from financial institutions. With its latest series underway, the debenture borrowings of EIH will aggregate a whopping Rs. 60 crores (*cf.* bank borrowings of Rs. 10 crores).

"We are leaders in the hotel industry in this country and we intend to maintain this status," says a confident Oberoi. Given that the Oberoi group has seized by the forelock the expansion opportunities opened by the government's recent withdrawal of MRTP restrictions on the hotel business, it seems that EIH is hell bent to ensure that it remains ahead in the hotel rooms construction race that seems to be in the offing for this capital intensive industry.

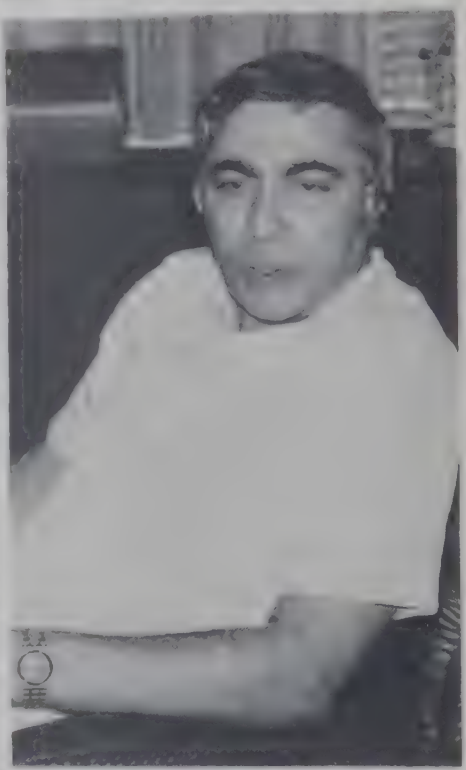
SUJOY GUPTA IN CALCUTTA

Malhotra's new project

The Bombay-based Empire Finance Ltd., a wholly owned subsidiary of Empire Industries Ltd. (sales: Rs. 39.46 crores in the year ended 30th June 1985), is the latest in a long list of leasing and hire purchase companies to enter the capital market in recent times. But unlike quite a few such companies whose credentials are suspect to say the least, Empire Finance has a reputable pedigree.

"While several recently promoted non-banking finance companies have little or no market standing, Empire Finance forms part of a well-known group which runs some very efficient enterprises. Hence the investing public can be sure of their funds invested with us," says the articulate S.C. Malhotra (53), chairman of Empire Finance who is also the chairman of Empire Industries Ltd. Empire Finance is entering the capital market on 12th May with a public issue of 20 lakh equity shares of Rs. 10 each for cash at par aggregating to Rs. 2 crores.

"The object of the issue is to raise capital to finance our leasing, hire purchase, short-term commodity financing


Malhotra: market standing assurance

and bill discounting operations," says Malhotra. Empire Finance, which was promoted in February 1985, will however concentrate on the leasing and hire purchase businesses as these will have to statutorily account for over 51% of its annual gross income if it is to qualify for the benefits accorded by the government to non-banking finance companies.

According to Malhotra, Empire Finance, apart from being part of a reputed group, has several other advantages going for it from the investors' point of view. "Empire Machine Tools, which is a division of Empire Industries, imports and markets sophisticated machine tools valued at Rs. 30 crores annually. Instead of selling these machines we can lease them out and thus the new company has

a ready market. Similarly, Empire Industries, which has three industrial and two trading divisions, has an annual capital expenditure of more than Rs. 2 crores and there is thus good potential for in-house leasing operations," says Malhotra.

Successful conclusion. However, Malhotra does not intend to keep Empire Finance tied to Empire Industries' apron strings. On the contrary, he prefers to conduct external leasing operations and in the very first year of the company's operations he has successfully concluded leasing agreements with such high fliers of Indian industry as Crompton Greaves, Johnson & Johnson, Jyoti, Kirloskar Pneumatic, NELCO, NOCIL, L&T and Ashok Leyland among others.

According to Malhotra, Empire Finance has already concluded lease finance agreements valued at Rs. 5.75 crores and expects to finish its current financial year ending 31st December 1986 having leased assets valued at Rs. 11 crores. Consequently, Malhotra hopes to "at least maintain" the dividend of 16% declared by the company in the first year of its operations ended 31st December 1985.

And despite reservations in certain quarters about the prospects for the leasing business, Malhotra is optimistic about the future of his company and that of the leasing industry as well. "In a capital scarce country such as India, leasing companies cannot do badly unless they do not have the ability to raise funds. As far as we are concerned, we enjoy a sound reputation which enables us to raise funds with ease. Thus we have not only been able to borrow to the tune of Rs. 4 crores from banks,but we have also been successful in raising fixed deposits from the public of Rs. 65 lakhs. I believe we have unlimited potential for growth," says Malhotra.

Nor is such confidence misplaced for, in the 21 years that Malhotra — an ex-naval officer with few formal qualifications — has presided over the fortunes of the closely held Empire Industries, he has transformed a small and insignificant cloth processing company into a well diversified multi-product enterprise. Today, Empire Industries, which employs 3,700 people, *inter alia* manufactures glass bottles, heavy duty cranes and also markets imported machine tools and electronic equipment in addition to being the "biggest and best" textile processing house in the country.

If the group's past performance is any indication at all, Empire Finance certainly has a lot going for it.

BINU S. THOMAS IN BOMBAY

Hi-tech venture

David Hewitt (43), chief executive of the UK-based Cooperheat Ltd., wasn't exactly holidaying in Bombay during the first week of April, his somewhat informal air notwithstanding. As a matter of fact, Hewitt was in Bombay on business. He had just put the finishing touches on a technical and financial collaboration agreement between Cooperheat, which is an acknowledged world leader in thermal technology, and the Bombay-based multi-product engineering group—Advani Oerlikon Ltd.



Hewitt: finishing touches

(sales turnover: Rs. 73 crores in the year ended 30th September 1985). The formal inauguration of this Pune-based joint venture project which bears the name and style of Ador Cooperheat Ltd. on 8th April, was in fact the occasion for Hewitt's visit to India.

In an exclusive interview with *BusinessWorld*, Hewitt explained Ador Cooperheat's rather abstruse line of business thus: "Our product package is designed to meet certain specific technical service needs of industries which use large storage spheres, tanks, pressure vessels, pipelines, etc., which need to be stress relieved to enable them to withstand temperature and pressure variations."

Towards this end, Ador Cooperheat proposes to manufacture a wide variety of heat treatment and stress relieving equipment which *inter alia* includes infra-red SCU burners, flexible insulated pre-heaters, flexible ceramic heating pads, finger type elements, thermocouple attachment units, cable systems, universal program controllers and multi-point recorders.

However, according to Hewitt, Ador Cooperheat will concentrate more on on-site turnkey technical service contracts rather than on the sale of such equipment. "Most of the equipment is very expensive and given its limited use, it would be more economical for industry to rent the equipment from us in the form of an on-site service," says Hewitt, whose company has a 26% equity stake in the joint venture.

Prestigious contracts. Impressively enough, though still on the threshold of becoming fully operational, Ador Cooperheat has already successfully executed some prestigious technical service contracts for IPCL, TIFR and Oil India's Barauni oil refinery. The company has also secured pre-heating service contracts for 13 spheres — used for storing liquefied petroleum gas — from several petroleum refining and distribution companies and expects to bag additional contracts for a majority of the 150 storage spheres which are scheduled to be constructed in the next three years, as per government plans.

"The business potential that India offers is really vast. There are many new petrochemical, fertiliser and chemical plants being erected in this country and therefore there is indeed a growing demand for the kind of services that we offer," says Hewitt, who is quite optimistic about Ador Cooperheat's prospects.

And not surprisingly, the company has projected an impressive turnover of Rs. 1 crore in its first year of operations, which is likely to be doubled in the second year, notwithstanding a very small capital base of Rs. 10 lakhs. The company has procured most of its capital equipment at a cost of about Rs. 20 lakhs, while another Rs. 20 lakhs is being spent on the construction of a factory building, acquisition of land and other miscellaneous facilities.

But a high output to capital ratio apart, Ador Cooperheat will also derive the additional advantage of having access to the professional management expertise of the Advani Oerlikon group, which has a controlling 76% equity stake in the new company.

Indeed, from all appearances, Ador Cooperheat's hi-tech venture seems to be well poised to carve its own special niche among the new breed of specialised industrial firms within the country.

V.A. ACHARYA IN BOMBAY

Computerisation & strategy

T.A. BALASUBRAMANIAN



Everything that a small business does to survive is strategic, in one sense of the word or the other. The question today, increasingly, is not whether to use computers or manage without them, but when to start using computers in a business, and how to use them effectively or strategically. There is a dilemma here, in the sense that installing a computer today could mean taking the risk of its becoming obsolete tomorrow.

The answer is that installing a computer today, even though it may become obsolete in two years, is a better strategic decision than installing none at all. Differences in performance and price between today's model and tomorrow's are not as important as they are made out to be, especially if compared to the difference between having a computer on hand and having none at all.

The Apple II, now regarded as an "old" computer, would enable one secretary to take on the load of five full-time employees who do not have a computer at hand. Although there are superior computers available today (as compared to the Apple II), the economic fallout of using a personal computer (any personal computer) and not using one at all is so vast that difference between generations are mostly irrelevant. One may prefer a Rolls-Royce to a Fiat, but compared to walking, there's hardly much to choose from between the two cars.

The major reasons why a small business organisation needs a computer immediately is the pressure that competition can bring—and managers of small business enterprises have to live with the reality of competition. Sitting apart and debating the usefulness of computerisation, while competitors are sinking their teeth into computers, is poor strategy.

DISTINCT ADVANTAGE

Computer literacy, or comfort with computers, takes time to acquire. Learning to use a computer and computer-related hardware and software is a time-consuming and exhaustive process—and take practice, patience and concentration. For example, the ability to use spreadsheets to prepare budgets and financial forecasting models confers a distinct competitive advantage that takes time to master.

For most business-minded people, the ease of using a spreadsheet to do complex analysis suddenly opens up a flood of new questions which they would have never posed earlier, since answering those questions would have involved considerable investment in developing software—often with little assurance of error-free results. What are the various relationships between fixed costs, product expenditure, gross margins and net income? How would revenue increase if promotional costs were to be spread in a particular way? To be impactful, a spreadsheet model must be able to highlight the subtle nuances of highly disparate (and often invisible) elements of strategy. And some models may take months (or even years) to be developed, expanded or fine-tuned.

Spreadsheets are but one aspect of the potent armoury of software available on personal computers. They are easy to become habituated to, since developing new models is really the essence of learning how to manage the growth of small businesses. The financial control that the computerised spreadsheet confers on managers is simply not available through any other means—at least not for the same kind of investment in money, time and effort.

Another reason why personal computers are a here-and-now choice is that acquiring the ability to input data into a system is also a time-consuming and painful task. This is especially true of database management and accounting, where 'inputting' entire banks of historical data, and checking and maintaining its accuracy and validity can take many months of intensive clerical work. Unfortunately, the only practical method of data-entry available today is through character-by-character typing on a keyboard. But the benefits of computer usage cannot be realised by small business until data is 'captured' in volume and enters the system on a regular basis.

DETAILED EXAMINATION

Perhaps one of the most important side benefits that may be realised in the process of ironing out the data-entry bottleneck is that systems and procedures which had been developed arbitrarily over the years may be reviewed and replaced if necessary. While planning to instal a computer, many business managers are forced to examine the detailed inner workings of their businesses, including organisational structure, employee motivation and professionalised training—or the lack of these. Very often, this examination exposes an organisation's detailed inner workings for their exact worth—and that may be very illuminating.

The input bottleneck is good enough in itself to justify the early acquisition of a computer, even if no other reason is available. But, of course, there are other reasons too. Computerisation confers intangible benefits on a firm by changing people—and giving a new dimension to their work.

Says one enthusiastic scriptwriter (who has discovered the joys of word-processing): "It energises consciousness in a way no typewriter or legal pad ever could. It compels you to respond quickly, to think logically, and to focus your attention on content, not form. The personal computer increases efficiency, and also expands awareness like nothing else."

But to find this out, businessmen must invest in one. There is no other way to discover how a computer can contribute to creativity and efficiency at the same time.

Peter Drucker (the world famous management consultant) describes the personal computer as an instrument which provides "emancipation for the individual." The purpose of the computer is not to enable users to develop more 'controls,' but to use available time efficiently for tasks that require perception, imagination, human relations and creativity of the highest order. This is the major advantage of harnessing the power of the computer as a part of business strategy.

Today, the ability to manage a small business with the aid of a personal computer confers a dramatic competitive advantage on the user. Those who own such computers and know how to use them effectively have a significant competitive edge over those who don't. And the realisation is slowly dawning upon a growing number of business people that the use of the personal computer as a tool in business strategy is no longer a luxury, but a fundamental necessity.

5 for 2 Bonus*!

from Tata Burroughs

(Watch this space)

* In price-performance
For those in the market for a micro computer.



Tata
Burroughs
Limited

We provide total solutions



In 1986, a new flying object

AIR-INDIA's Airbus A 310, the most advanced commercial jetliner.

From the first airline in the world to become 'all-jet', comes another first: Asia's first long-range version of the A 310-300, powered by new generation engines. A luxurious wide-bodied aircraft with all the latest advances in technology:

* The Airbus New World cockpit with



s identified.

the very latest in technology and ergonomic styling.

State-of-the-art aerodynamics – a unique wing-tip for a smoother, more stable ride.

Full-width underfloor cargo carriage for increased cargo-handling capacity.

And, aboard Air-India's A 310, discover the spacious seating arrangement that gives you additional legroom. And much more comfort on all three classes. Enhanced by gracious service in the best Indian tradition.

Come, get the best of both worlds old-world hospitality and the brave new world of technology.



–Programmed for the future

Voltas announces a new series of packaged air conditioning units.

With the world's most rugged and reliable semi-hermetic compressor, Carrier 06D.

The new packaged units from Voltas offer you the perfect air conditioning system for offices, showrooms, restaurants, auditoria, computer rooms, hospital wings and other medium sized areas

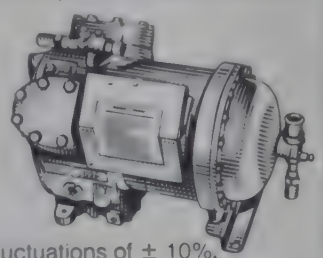
Available in water-cooled and air-cooled versions with nominal capacities ranging from 5.4 to 15 tons, the units are designed to cool, dehumidify, filter and circulate the air in one compact and attractive package

The rugged 06D compressor is acknowledged the world over for its superior design and outstanding performance. What's more, since the compressor is semi-hermetic, it can be serviced at site to ensure negligible down-time

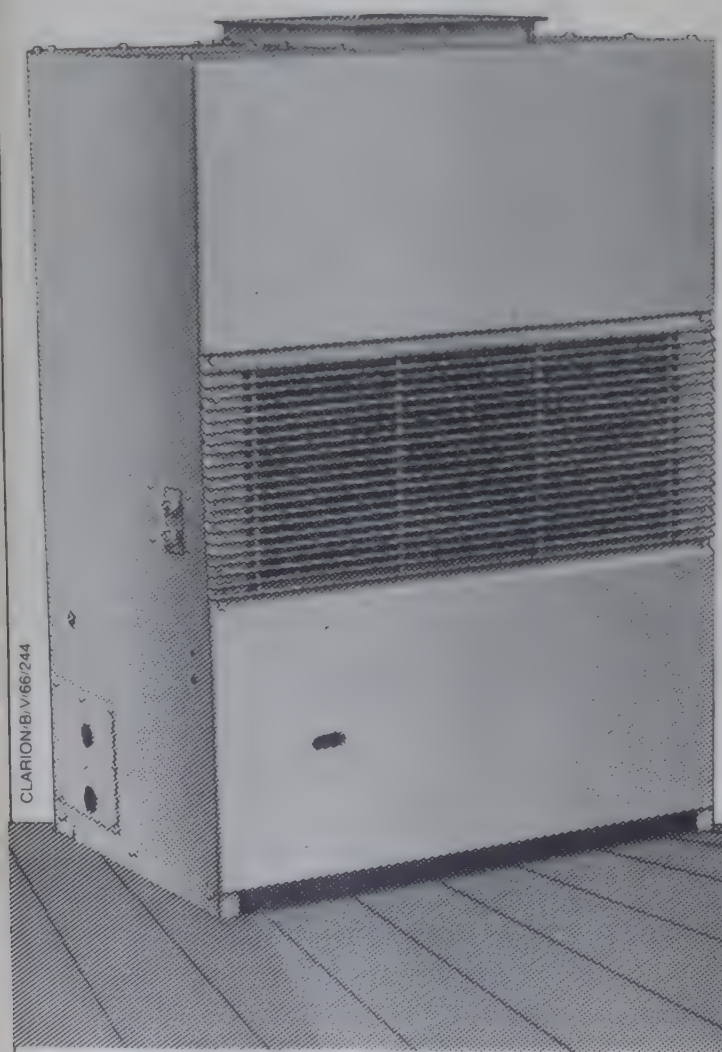
No wonder only Voltas offers comprehensive maintenance service schemes for more than 15 years!

Check out these advanced features which guarantee years of efficient trouble-free service

- Comprehensive protection for the compressor with a dual pressurestat, motor winding thermostat and a special electronic device to prevent single-phasing and overloading
- Compressor wear minimised by the positive pressure lubrication provided with an automatically reversible oil pump and a built-in pressure regulator



- Designed for voltage fluctuations of ± 10%.
- Electrically operated unloader in the larger models reduces energy consumption at part load.
- High heat transfer efficiency with large face-area cooling coil having corrugated and collared fins mechanically bonded to staggered tubes.
- All major components manufactured in-house by Voltas.
- Matchless after-sales service from nine strategically located Voltas branches throughout India.



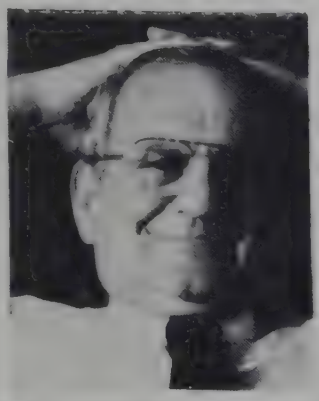
CLARION/B/V/66/244

Carrier Manufactured under licence from Carrier Corporation, U.S.A.

VOLTAS LIMITED
Air Conditioning & Refrigeration Business Group
BOMBAY NEW DELHI CALCUTTA MADRAS BANGALORE
AHMEDABAD, SECUNDERABAD, JAMSHEDPUR & COCHIN

Volunteerism virtues

LEE A. IACOCCA



A funny thing happened to me the day after I filed my last column. I got fired. I was literally tossed out as chairman of the Statue of Liberty-Ellis Island Centennial Commission after four years of hard work. I didn't like it. I was informed, would you believe, by telegram.

In classic Washington double talk, the wire praised me for my past efforts, and then in their best "we regret to inform you" style said there was the "potential of future conflict or the appearance thereof" between my roles as chairman of both the Statue of Liberty-Ellis Island *Foundation* and the *Commission*.

I did not accept their line of reasoning then, and a month later it still doesn't ring true. To put it mildly, the concept of "conflict" is hogwash. I believe I was fired for other reasons.

Apparently, some of our top people in Washington don't know the difference between "conflict" and accountability, and they seem to confuse camping grounds with shrines, and real estate deals with restorations.

I'm also grateful for the resolutions passed, the statements read into the congressional record, the profusion of offers to appear on major news and talk shows to set the record straight, the expressions of indignation and concern by friends and acquaintances, but most of all, for the thousands of letters and telegrams that have poured into my office (and into the White House) from ordinary citizens everywhere.

STICKY SITUATION

I've always believed that the best way out of a sticky situation is to tell the truth. It doesn't always work—but it almost always works better then *not* telling the truth. And an awful lot of the people who wrote to me thought they weren't told the truth about why I got fired.

Those letters validate what I said at my press conference and what I tried to tell secretary of interior, Donald Hodel, all along: that I'm not hurt by this ridiculous flap—the real disservice is to the cause that so many people have worked so hard at. And that's a damn shame.

So let me go on record now, that—as Shakespeare would say—"what's done is done." I have no intention of fighting it or debating it further, although I will forever remain interested in finding out *why* it was done and I'm truly indignant at *how* it was done.

But first things first. We should all reunite behind the restoration project and the celebration on 4th July. The statue will be completed on time, and the celebration will be a banner event in the modern history of our country. *And both are paid for, in full.* Most of the restoration of Ellis Island is as of now paid for, and we should set about to raise the balance of the money needed.

That's why I'm staying on as chairman of the foundation—the fund-raising organisation. We'll reach our goal, and we'll make possible the dignified rebuilding of this abandoned place where so many of our ancestors took their first step towards becoming that most privileged of all citizens of the world—Americans. If nothing else, the publicity over *Iacocca vs. Hodel* will ensure that Ellis Island is done right. And at least that's a big plus.

That's the bright side. But there's a dark side, and it has nothing to do with the statue... or Ellis Island... or the issues of "conflict" and "commercialisation."

SHINING IDEAL

It's sad, but the real victim of all this silliness is the principle that the president talks about all the time and holds up as a shining ideal—American volunteerism.

The Statue of Liberty is being restored completely from private donations, and that's the plan for Ellis Island, too. Schoolkids have sent in more than $5 million. About 20 million Americans have contributed individually, or through their companies, their service clubs or other organisations. Millions of Americans got together to fix up two of our national treasures. And next 4th July, when we unveil the lady, we'll be celebrating the process as much as the result. How we raised the money is as important as how we spend it.

Sure, the government could have used tax monies and restored the statue. Who knows, it might even have been cheaper that way. No commissions or foundations, just dip into the good old treasury and hire some people to fix her up.

We would have saved ourselves the charge of "commercialism," for one thing. Individual Americans have been generous, and they've provided the bulk of the money, but you don't raise $233 million just by passing the hat. You also have to do a little marketing.

Ironically, in November 1885, none other than Frederic Auguste Bartholdi, the statue's young sculptor, sold to French businesses the right to use the statue as an advertising logo in promoting their products. Poor guy, he was accused of being too commercial.

So you can't win. Bring business into the picture and immediately you "commercialise" the thing. Bring government in, and you "politicise" it.

All I know is that if we'd simply left the job to the park service, millions of Americans would have been denied the opportunity to re-examine the values that the Statue of Liberty stands for—the values that America stands for. And they wouldn't have had a chance to contribute a few bucks to honour the memories of their parents and grandparents who built this country.

That's why the voluntary effort to restore the statue and Ellis Island is so important. And that's why there was such outrage when this voluntary effort got hit by a little dirty politics.

Even after all this, I still agree with President Reagan that we need more volunteerism in this country, but not because it's more efficient or economical. It's important because it gets people involved. It makes them feel their responsibilities to America and to their neighbours. And it probably makes them better Americans.

But people aren't stupid. They aren't going to volunteer their money or their time only to have the whole thing ruined by petty politics. President Reagan asked Americans to volunteer to restore the Statue of Liberty and Ellis Island, but after the stunt we all saw some of his underlings pull last month, I hope he doesn't need volunteers again soon.

We could just laugh the whole thing off as "politics as usual," but some things ought to be above politics. And in our country, if the Statue of Liberty and Ellis Island aren't above politics, what the hell is?

Food technologist

For all of man's other worldly aspirations, his existence in this world is riveted to the simple problem of having to feed himself everyday. For this, he has to compete with a host of other living organisms to secure his food and prevent its spoilage by teeming microbes such as moulds, yeasts and bacteria. Undoubtedly, an important concern of man is to conserve food in times of plenty so that it may be utilised in times of dearth.

The ancient techniques of preserving food such as spicing, drying, pickling, fermenting, etc., are widely used in households even today. However, in the western world, developments in the study of biological sciences such as biochemistry and specially the discovery of microbial activity which causes the spoilage of food, has enabled man to steadily experiment with newer methods of food preservation. But it was the two world wars, which necessitated large quantities of food to be packed, canned and dispatched for consumption by armed forces in distant places, that led to the development of an appropriate technology for food preservation.

In the thirties, the Institute of Food Technologists was established in the US for professionals involved in activities related to food, agriculture, nutrition and health. Under its aegis, food technology evolved as a separate discipline concerned with the application of science and engineering to the "production, processing, packaging, distribution, preparation and utilisation of all types of food." In India, the first such institute, the Central Food Technological Research Institute (CFTRI), was founded in Mysore in the mid-fifties.

"The main functions of a food technologist may be summarised as finding solutions to food safety problems. In brief, it involves ascertaining that no contaminants (foreign proteins or other toxic chemicals) remain in a stored or processed food product meant for consumption," says Pratap Chakraborty (40), a lecturer at the department of food technology at Jadavpur university, Calcutta.

Crucial role. Given the great surge in the popularity of food products packaged in cans, bottles or other closed containers, the role of a food technologist is crucial, since a consumer can have no knowledge of the quality of such pre-packed foods prior to consumption. The other interesting aspect of food technology involves research into the development of new kinds of food products and the fabrication and design of equipment which will facilitate large-scale production and economic methods of preservation of processed foods.

Currently, there are 19 universities in this country which house departments of food technology. Some of the prominent ones are Jadavpur university (Calcutta); Central Food Technology Research Institute, Mysore; Bombay university; Harcourt Butler Institute of Technology (Kanpur); Lakshminarayan Institute of Technology (Nagpur), and the Pantnagar Agricultural University (Himachal Pradesh).

In order to qualify for admission to the three year graduate food technology programme at these universities, the aspirant must have a bachelor's degree in chemistry (honours), with mathematics as one of the other subjects. The candidate is selected through the usual examination conducted by each of the institutes.

One part of the curriculum is devoted to the principles of engineering, in which chemical engineering receives the most emphasis. The rest of the curriculum is based on topics such as nutrition, food and, most importantly, biochemistry of micro-organisms.

A graduate of food technology has the option of continuing in academia or pursuing a professional career. Government organisations such as the National Dairy Development Board; Marine Products Export Development Authority; laboratories of the Council of Scientific and Industrial Research; Indian Council of Agricultural Research and many others recruit food technology graduates through the usual route of press advertisements.

A food technologist usually commences his professional career with a salary of about Rs. 1,500, which eventually touches Rs. 3,000-4,000, depending upon the seniority of the position.

For a student aspiring to postgraduate studies in food technology, there is ample scope for joining foreign universities as well.

Largest sector. The food products manufacturing industry in India (located mainly in the western and northern zones of the country), as elsewhere in the world, is the largest of all the industrial sectors. Practically all kinds of foods—grains, cereals, fruits, meats, dairy and bakery products, beverages, drinks, sugar and cocoa products, vegetables, etc.—come within the purview of food technologists.

Broadly speaking, a qualified food technologist may be employed in three different divisions of the food products manufacturing industry. Firstly, he may be involved in the actual production and preparation of food products on the shop-floor. Here his function is mainly supervisory in relation to the entire manufacturing process. However, his most stringent task is to maintain the quality of the food products in terms of content and storage life.

The second and perhaps more interesting avenue of employment for the food technologist is research and developmental work. This may involve seeking newer and more efficient means of manufacturing a conventional food product or developing new ones from edible or non-edible materials. This also offers the simultaneous challenge of designing new machines to achieve new goals.

Lastly, a food technologist can also be absorbed in the various government control offices or inspection agencies and laboratories where he or she is likely to be engaged mainly in finding methods of analysing and scrutinising the purity of food products which are to be either exported or consumed indigenously. In addition, he or she may eventually be appointed under the various ministries of commerce, science and technology, food and agriculture, etc. In such positions which are typically senior ones, the food technologist is called upon to formulate policies and decide on the regulations and standards for "good manufacturing processes" for various types of food products.

In India, which is primarily an agricultural country, the importance of trained food technologists needs to be emphasised. The country's increasing food surpluses on the one hand, and its tropical climate on the other necessitates the increased use of modern techniques to preserve food products against microbial spoilage and other forms of contamination.

In all, there is a gradual realisation that the abundant agricultural harvest of this country can be preserved, and utilised in more efficient ways to enrich its economy. The other agencies concerned with the management of food products—such as sorting, processing, storage and transportation agencies—are also beginning to realise the role and importance of qualified food technologists. And given the favourable trends in the growth of agricultural production and the food processing industry, the profession of food technology is likely to become increasingly important within the next decade.

Sandip Ray

An eminent expert

In a country such as India, which seems to be perennially beset with problems of starvation and undernourishment of millions of citizens, it is ironical that a staggering amount of foodstuff is lost each year through spoilage and mismanagement. Such losses deplete stocks to the extent of around 10% of foodgrains, 30% of fruits and vegetables, and nearly 50% of marine foods harvested every year.

The causes of this mindboggling phenomenon are twofold: improper storage conditions and an inevitable loss due to the absence of large-scale economic methods by which surplus food can be processed and converted into forms which are durable and edible as well. "In such a situation, there is an obvious need to pay greater attention to the modern techniques of food production and conservation as are being advised by food technologists," says Dr. A.N. Bose (63), a senior professor of food technology and biochemical engineering at Jadavpur University (JU), Calcutta.

Crucial task. "Above all, considering the vast wastage that one sees all around, a food technologist in India faces the crucial task of improvising economic industrial techniques which transform excess produce into other edible forms which may be stored for longer periods and can be used in emergency situations. And, of course, there is also the need to improve storage conditions of fresh and unprocessed food such as fruits and vegetables," says Bose.

A recipient of numerous academic honours, both national and international, Bose obtained his master's degree in applied chemistry from JU in 1943. He then undertook research at the Massachusetts Institute of Technology for a doctoral thesis on fish preservation. On his return to India in 1947, he joined the faculty of chemical engineering at JU, where he taught special courses in food technology. In fact, the founding of a separate department of food technology at the university owes much to his efforts.

In 1961, Bose was appointed director of the Central Institute of Fisheries Technology, Cochin. He was attached to the institute for seven years. He returned to JU in 1968 and has remained there since. To enlist all of Bose's activities and achievements would exhaust the space allotted to this article. His varied career in food technology places him with front-rank people in this profession.



Bose: vast wastage

The food industry is vastly varied, according to Bose. Any discussion on the industrial preoccupations of a food technologist will be limited to an overview at best. "Each type of industry—drinks, confectionery, dairy, beverages, etc. —will have its characteristic requirements and call for its own, special operational knowledge from a food technologist associated with it. But in general, a food technologist is expected to be acquainted with each step of the manufacturing process," says Bose.

Seasonal variations. However, besides association with the food industry, today a food technologist's concern extends to other disciplines as well. One such area is agriculture. The quality of primary agricultural products (e.g. the tomato) can be subject to seasonal variations which render the control of quality (texture, colour, etc.) of the final processed products (in this case, ketchups and sauces) difficult. "Therefore, there is a need for evolving agricultural methods which ensure that a particular, favourable variety can be grown each year, overcoming climatic and other natural variations as best as possible," says Bose. In order to match this specialised requirement, food technologists today are playing important rules in linking their profession to agriculture.

Yet another seemingly unrelated field of study which is attracting the interest of food technologists is biotechnology. In recent times, there has been considerable development of biotechnology at institutions all over the world, as a prominent future alternative to many existing technologies. "It is a discipline to the growth of which food technologists can contribute, specially in the use of fermentation technology for producing antibiotics," explains Bose.

"However, vast as the scope of food technology seems, its practice in this country is fraught with the usual difficulties," says Bose. One of these is the relatively inadequate dissemination of scientific information about food storage and handling techniques and technologies. Though this results in some losses at the rural level, the wastage is most rampant at the stage where huge quantities of food are transferred to and stored improperly in warehouses and godowns. "Many of the obscure alimentary illnesses, and even deaths, in rural areas have been traced to the consumption of foodgrains in which fungal growth had occurred due to bad storage," explains Bose.

Again, there is an unfortunate shortage today of research literature on the handling of tropical fruits and vegetables, information which is of vital necessity in this country. "This," says Bose, "often makes it difficult for a food technologist in India to handle the preservation and processing of such products in an orderly manner." Also the socio-economic climate which dictates the need often to employ manual labour impedes the use and development of machines which make food handling more efficient.

"Reforms to counter these drawbacks are being made," says Bose and adds, "The graduate training programmes are being designed to suit the special demands of the food industry. There is also an increasing emphasis on the need for basic research on food handling under Indian environmental conditions. Applied studies to help the small-scale needs to Indian food growers are also being carried out."

"The policy-makers today have begun to realise the role of food technologists in helping in the efficient utilisation of agricultural produce," says Bose. "Besides, as India continues to urbanise, there will be an increasing demand for a variety of convenience and other types of food to satisfy changing food habits," he says. Against this backdrop, the role and scope of activities of a food technologist offer tremendous challenges. As the country marches into the 21st century, this is one of the professions which is likely to be in the forefront.

Sandip Ray

BusinessWorld
April 28—May 11, 1986

The liberation of Indian Oxygen

By DEBJANI SINHA

The currents of change are eddying through the spacious corridors of Oxygen House, the spick and span headquarters of the Calcutta-based industrial gases manufacturing giant Indian Oxygen Ltd. (IOL – sales: Rs. 108.28 crores in the year ended 30th September 1985). After several years of consolidation and marking time, the corporate personality of the company is being injected with a new dynamism Thus after almost two decades of infructuous knocking at the doors of various ministries of the Central government this eastern sector blue-chip company, in which entrepreneurial and managerial growth impulses had been stifled, is about to cast off its shackles

Since the mid-sixties, despite proposals for expansion being despatched with monotonous regularity to New Delhi, each proposal or variation thereof had been turned down on the ground that "big should not be bigger." In desperation the management of this company – which has undoubtedly played a pioneering role in promoting the use and application of industrial gases in *inter alia* the metal fabrication, chemicals and mining industries in this country, apart from producing a range of electrodes and welding equipment – looked at other unrelated growth businesses for diversification. But to little avail.

A proposal to commence the manufacture of polymer chemicals from castor seeds was mooted in 1973. But after much toing and froing and a series of tantalising meetings between IOL top brass and government departments in 1976 which promised to bear fruit , this too was turned down. Not surprisingly, the resultant corporate demoralisation prompted a number of high-fliers in the company to shake the dust of the company off their feet.

At the same time, with the tenure of the managing director and long-time associate of the company S.D. Singh rapidly nearing its end and with no heir apparent groomed for succession, a massive Voltas-style hunt for a chief executive was mounted in the early eighties. This is the backdrop against which Sashi Bhushan Budhiraja (55) was finally chosen chief executive of IOL after two infructuous advertising campaigns and an international executive search.

Fortunately for Budhiraja, the change in IOL's top-level management

Budhiraja: selected chief executive after a massive international search



BusinessWorld
April 28—May 11, 1986

has coincided with the induction into office in New Delhi of the new generation Rajiv Gandhi administration. Consequently, some of IOL's proposals that had been awaiting clearance from the government for many frustrating months, have now received the green signal. Therefore currently, several ambitious expansion and diversification projects and a number of modernisation proposals which could nearly double the company's sales turnover in the next quinquennium, are in various stages of implementation. A massive aggregate sum of nearly Rs. 50 crores is proposed to be spent on the much overdue upgradation of the company's oldest industrial gases manufacturing plant in Jamshedpur. A new tonnage plant (i.e. a large industrial gases manufacturing plant) is about to be commissioned in New Delhi, while the company's existing plant in Bombay is also poised for upgradation and conversion into a tonnage plant. At the same time, an agreement to set up a new unit to manufacture specialised gases for the Indian Space Research Centre in Bharatpur is all set to receive government approval.

Thus, within 14 months of assuming charge of a somewhat confused corporate entity (he effectively took charge in February 1985), Budhiraja is all set to canalise the impatient managerial energies of the revitalised corporation into its growth and expansion. In addition, he is determined to prove to the government and IOL's numerous detractors that the company has the technology, talent and expertise to reassume its pioneering role in the industrial gases manufacturing and associated businesses.

An individual with a varied career that has spanned the spectrum of corporate cultures in the western multinational public and West Asian private sectors (see interview p.48), Budhiraja is aware of the high hopes reposed in him and of the need to energise the country's largest industrial gases manufacturing company. He is also aware of the need to tread gingerly in a company which has been in this line of business for the past 50 years and has developed its own distinctive corporate culture.

ADVERSE EFFECTS

"When I took charge at IOL, it quickly became apparent that the company, despite its widely diversified production base, had been losing its market share to the numerous smaller units that have mushroomed in the last decade. At the same time, I realised that a host of other factors, primarily an unsympathetic industrial environment, had not only inhibited its growth but also prevented the modernisation of existing units, which would have enabled IOL to achieve the economies of scale. These developments also affected morale and efficiency adversely. Therefore, I felt that a tightening up of our internal operations was also perhaps necessary to sharpen our responses to developments in the marketplace. It seemed to me that IOL had perhaps become too unwieldy, as a result of which we had lost our keener marketing edge," says Budhiraja.

To identify the company's problems and enable IOL executives themselves to suggest the antidotes without imposing what may have been perceived to be unnecessary and/or cosmetic changes, Budhiraja invited comments and suggestions from senior IOL executives. "By and large I have tried to introduce an open system of management in IOL and most changes have a consensus of views behind them. The aim is to retain the good points of the existing culture of integrity, reliability and customer service, and to bring about changes to make the company a more dynamic organisation with quicker responses to the needs of the market and our customers," says Budhiraja.

Consequently, one of Budhiraja's first actions after being installed in Oxygen House, Calcutta was to organise a two-day workshop on organisational effectiveness. Thirty-five senior managers from IOL's 15 "operations" all over the country were invited to a weekend talk-shop at the Oberoi Grand Hotel, Calcutta and were encouraged to air their views on what they perceived to be the weaknesses of the company and make suggestions for improvement.

"At the end of the session a strategy outline had emerged by common consensus. It was felt that a structural change, specially in the gases division, would perhaps quicken our responses to developments in the marketplace. It was also the consensus of opinion that the four regional offices rather than the factories should be the profit centres. My role in that two-day meet was strictly that of a silent listener and I think the fact that the chief executive was willing to take a back seat and listen, certainly helped to create a climate of confidence," recalls Budhiraja.

PEOPLE ORIENTATION

These suggestions were duly implemented, giving the company a stronger marketing orientation. Simultaneously, a concerted attempt was made by the top management to fall in line with the current managerial fashion and shift attention from production to people to boost organisational morale, says Budhiraja. "To counteract what seemed to be a wave of demoralisation within the ranks of the company, we have tried to usher in a more people-oriented culture. Our appraisal systems have been examined critically and the company has introduced a merit award

Oxygen House, Calcutta: injected with a new dynamism



modipon limited

COMPANY MEETING



SPEECH DELIVERED BY
Shri K.N. Modi, Chairman, at the 20th Annual General Meeting of Modipon Ltd. on Monday the 31st March, 1986

Dear Shareholders,

I have great pleaure in extending to you all a very warm and cordial welcome to the 20th Annual General Meeting of your Company.

MODERN ERA

Our dynamic and young Prime Minister Hon'ble Shri Rajiv Gandhi has made welcome thrusts towards Modernizing through advanced technology and thus usherng in a Dynamic Era leading us to the 21st century. I take this opportunity to congratulate, on my own and on behalf of all of you, the Prime Minister and his Government on its dynamic and progressive policies and outlook.

Export Front

One of the main thrusts of the industry should be import substitution and larger exports. The aim of industries should be to attain international standards in the quality of goods produced, its design and the technology used in manufacturing. This would enable our industry to enter the competitive global markets. It is the only solution for achieving favourable balance of payment status after repayment of IMF loan instalments.

Liberal Legislation—Open Government-Industry Dialogue

It has been very heartening to note that Hon'ble Prime Minister, Finance Minister, Industry Minister and Labour Minister have in recent meetings with people from Industry and Trade consistently called for more liberal legislations in the various areas of economic activities as well as to have open dialogues between the Government and the Industry to evolve more progressive outlook.

Import of Technology—Stimulus to Local R&D

The Government has rightly been encouraging the import of technology for faster growth. However, selection of technology should be such that the local Research and Development efforts are stimulated by the induction of new technology. Your Company with a good Research and Development base is in consant touch with the world leaders of technology for adoption and absorption of the best.

Operations

I am happy to inform you that the turnover and profits of the Company during the year have shown an excellent growth.

	This Year	Last Year
	(Rs. in Crores)	
Turnover	162.78	118.25
Gross Profit	13.89	5.38
Net Profit After Tax	5.17	0.54

The business of the Fibre and the Chemical Divisions of your Company has shown a growth of 17% and 25% respectively over the last year with improved plant performance and profitability.

Dividend

Your Directors are pleased to recommend for your approval a dividend of 20% on the Equity Share Capital as against 12% last year.

Amalgamation of Indofil Chemicals Ltd

The merger of Indofil Chemicals Ltd., Bombay, with the Company in terms of the Scheme of Amalgamation has been successfully completed during the year. The total business of your Company shall now be transacted through two business divisions in the name of 'Modipon Fibres Company' and 'Indofil Chemicals Company'. By virtue of this merger, your Company has now a broad operational base.

Modipon Fibres Company

This Division has two businesses, namely, Polyester Filament Yarn and Nylon Filament Yarn. The business is now divided into two business units:

(a) Polyester Yarn Business

Polyester Filament Yarn has shown spectacular compound rate of growth of 43% per annum during the last five years and it is expected that its overall consumption shall touch 1,15,000 tonnes by 1990. In addition to our endeavour to increase further the Company's current market share of 5% with market maturing, our strategy calls for concentration on growing segment of speciality products which are far more remunerative and most of which are currently being imported.

You will be happy to know that your Company has already started manufacturing some of the varieties of speciality products which have been well accepted in the market.

Company has entered into a long term technical collaboration agreement with Snia Fibre, Italy, for the transfer of most modern and latest technology in Spin Draw and Spun Dye for the manufacture of high quality speciality yarns with lower manufacturing costs as a result of reduction in multi-steps processes in conventional technology to a single/double step process, resulting in savings in energy, utilities and labour and increased production of quality yarns with lower waste. Many of such speciality yarns would be produced for the first time in India. Snia Fibre, Italy, are world leaders in development of technology and manufacture of wide range of synthetic fibre and are foremost in production of Spin Draw and Spun Dye yarns. The Spun Dyed yarn would find a big market such as Luggage and Upholstery for Cars and furniture.

Apart from manufacturing of Spun Dye and Spin Draw yarns, Company would continue to manufacture POY. The Company is further equipping itself for manufacture of various lustures at the same time by installing several small reactors rather than having one large reactor which some of our competitors have.

(b) Nylon Yarn Business

The compound rate of growth of Nylon Filament yarn business has been 13.5% during the last five years. The Company is the third largest producer of Nylon in the country and is further proposing to induct high technology by replacing many of its old conventional machines with high speed spinning machines so as to improve the quality. Like Polyester, in Nylon area also, the Spin Draw and the Spun Dye technology of Snia Fibre, Italy, will be extended thereby reaping the benefits of reduced manufacturing costs and improved product quality. Your company will be able to supply economically large sized packages to its consumers. Thus in Nylon business, the Company will become a leader in quality and cost efficiency.

Indofil Chemicals Company

With the know-how from Rohm and Haas Co., U.S.A., the Company manufactures and markets wide range of Agricultural and Industrial Chemicals which are organised into two businesses.

(a) Agricultural Chemicals Business

Indofil is a leader in Fungicide marketed in India. Its brand name 'Dithane' is well known throughout India amongst the farmers. Dithane has experienced 15% compound growth per year during the last five years. The Dithane Plant is proposed to be

completely modernised to adopt the latest and most modern production technology with excellent safety equipment. The first stage of modernisation of the Dithane Plant with this objective has already been completed during the year.

'Kelthane,' the other successful product is also expected to have 15% growth in volume.

Company has applied for registration of some new chemicals of Rohm and Haas Co., U.S.A. for introduction in India.

(b) Industrial Chemicals Business

In this area, a wide range of industrial chemicals are produced which are primarily used by Leather, Plastic, Textile, Paints, Paper and PVC industries. Your Company's Leather chemicals enjoy excellent brand loyalty amongst tanners for the finishing leather for export and home market. The other chemicals also command a major market share which will be further enhanced by introduction of new products, such as speciality binders and the Viscosity flow improver, currently under development at Comapny's R & D centre. The Company expects a growth of 10% in the Industrial chemicals field.

Health and Environment

The Company is conscious of ensuring safety and health of the employees and society in general as well as protection of the environment. Both the Fibre and Chemical Divisions of the Company are constantly working towards achieving this objective by spending a substantial amount on equipment and training.

Modernisation, Expansion and Diversification

Your Company is now in the process of expanding its Nylon and Polyester capacity to 6000 tonnes and 3500 tonnes per annum respectively, with the latest technology of Spin Draw and Spun Dye from Snia Fibre, Italy. The Company is also taking necessary action for modernisation of the utilities and existing Nylon and Polyester production facilities.

Company has taken concrete steps for the implementation of the Letter of Intent to manufacture 4000 tonnes of Nylon Industrial Yarn/Tyre Cord and 3400 tonnes of Nylon Tyres/Industrial fabrics. For this Company has entered into a foreign collaboration agreement with Unitika, Japan,for latest Spin Draw technology. The modified agreement is under the active consideration of the Government.

The total capital outlay for Modernisation-cum-Expansion and Diversification projects is estimated at Rs 119 crores, which your Company proposes to meet through Debentures, Long Term Loans and through its Own Contributions. Applications for financial assistance are under active consideration of the All India Financial Institutions.

In accordance with the Government's liberalised licensing policy for synthetic yarn, representations are being made to the Government to grant permission for expansion of Nylon capacity to 12,000 TPA and of Polyester to 15,000 TPA. These expanded and diversified manufacturing facilities will enable the Company to take advantage of the broad-banding policy of the Government and will provide flexibility and manoeuvrability to respond to changing market trends and consumer preference for snythetic filament yarn.

Industrial Relations

Industrial relations continue to remain harmonious and cordial. Fibre Division of the Company entered into a novel three years wage settlement with its workforce which would be valid upto June, 1988. Under the said the settlement, rationalisation of man power has been achieved and the man power so saved shall be gainfully utilised in expansion and modernisation after proper reorientation.

In the Chemical Division also, relations with union were cordial.

Human resources Development

People are most important resources we have in Modipon family. With a view to equip ourselves to meet the needs for high technology products, it is essential to train, retrain and redeploy our workforce. With that objective, intensive inter-action between Managers and workforce has taken place during the year. Young energetic Managers are getting ready with phased and intensive training imparted to them at prestigious institutions like Indian Institute of Technology and Management Development Institute, in specifically developed programmes. During 1985, over 70% of our workforce had undergone specially designed time bound training and retraining programmes including Statistical Quality Control techniques to improve productivity and quality.

On participative management, more than 40% of the workforce has undergone the LENS (Leadership Effectiveness and New Strategies) training programme wherein the Managers and the workmen collectively idenfity their problems, analyse them and find solutions themselves and bring in all round improvement at the shop floor. Useful suggestions have been pouring in from all levels to improve the process and production methods.

Our Hon'ble Labour Minister has very recently pointed out that to bring in a more progressive and constructive work environment, it is very necessary to educate the workforce as well as to bring a legislation which will eliminate the current pattern of multiple unions. The education programmes in our company are aimed at creating greater awareness and sense of responsibility and belonging amongst the entire workforce.

Acknowledgement

The success of your Company has indeed been the result of harmonious labour-management relations and the untiring efforts of staff and workers at all levels which I deeply acknowledge. My sincere thanks are due to my colleagues on the Board of Directors for their valuable guidance. I am also grateful to the Central and State Governments, Financial Institutions, Banks and our collaborators, Messrs Rohm and Haas Co., U.S.A. for their continued support and valuable assistance. Thanks are also due to our dealers and customes. It is our endeavour to always provide them the best products and services. Finally, I offer my heartfelt thanks to our esteemed shareholders and investors for the trust reposed in the management.

Thank you

K.N. MODI
CHAIRMAN

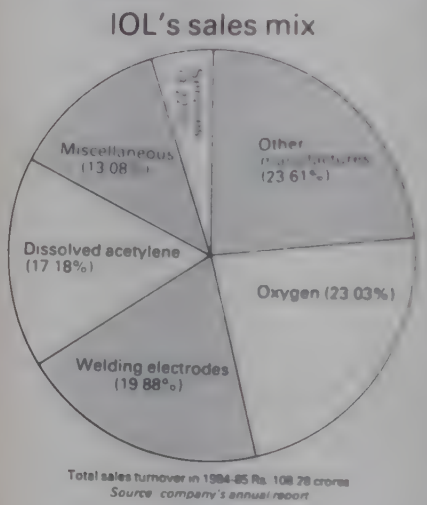
HIGHLIGHTS

- **Hon'ble Shri Rajiv Gandhi has made welcome thrusts towards modernising through advanced technology.**
- **Thrust of the industry should be on import substitution and larger exports.**
- **The Government has recognised need for more liberal legislations in various areas of economic activities as well as to have open dialogues between Government and Industry to evolve more progressive outlook.**
- **To achieve the above objective of faster growth, following measures are essential:**
  - **a. Continued tax rebate on Inter Corporate Dividend.**
  - **b. Review of interest capitalisation with retrospective effect.**
  - **c. Continued tax rebate for investment allowance to have growth of new Companies.**
  - **d. There should be one union in one unit for increased productivity.**
- **The business of Fibre and Chemical Divisions of the Company has shown growth of 17% and 25% over last year with improved profitability.**
- **Dividend of 20% on Equity Share Capital.**
- **With merger of Indofil Chemicals Ltd., Bombay, having been completed, Company has now a broad operational base.**
- **Company is in process of expanding its Nylon and Polyester capacity to 6000 and 3500 tonnes per annum respectively with latest technology of Spin Draw and Spun Dye from Snia Fibre, Italy.**
- **Implementation of the Letter of Intent to manufacture 4000 tonnes of Nylon Industrial Yarn/Tyre Cord as well as 3400 tonnes of Nylon Tyres/Industrial fabrics is underway. Company has entered into foreign collaboration with Unitika Japan.**
- **Industrial relations continue to remain harmonious and cordial. Continuous inter-action between managers and workforce. Workforce undergoing LENS programme on participative management.**

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

scheme on the shop-floor, which has helped to generate a great deal of enthusiasm. At the same time we have also tried to usher in a more open and participative corporate culture. For instance, every three months I hold communication meetings with various groups of executives so that we can understand and attempt to solve their problems," he adds

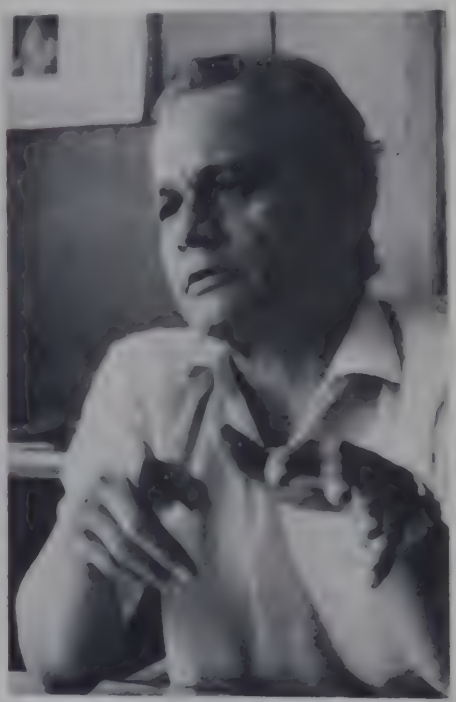
Though perceptions of the need for and the degree of structural changes required within the organisation vary from individual to individual in the company, that there was a need to spread some cheer among IOL's managerial cadre which had been given a merry run around by New Delhi's *netas* and *babus* for over five years, is widely acknowledged.



Recalls P.R. Roy (56), secretary and director of the company, who has spent many moments knocking at the doors of various ministries for several years with IOL's expansion plans and its much touted agro-industrial diversification project: "The castor project, as it was referred to within the company, fulfilled all the requirements laid down for a company which was governed by FERA regulations, and was a 'monopoly' as defined by the MRTP Act. For this agro-based 100% export-oriented project proposed to be located in Andhra Pradesh, we had earmarked an investment of Rs. 12 crores – by no means a small sum. We had received encouraging support for the project from the Andhra Pradesh Industrial Development Corporation and were confident that at last a breakthrough had been made."

However, this optimism proved premature. Unconvinced by the arguments put forward by IOL managers during a period of no less than four years and the repeatedly altered project proposals put forward by the company, the project which would have generated thousands of jobs in rural Andhra Pradesh, was rejected, causing widespread demoralisation in the company. "For over 5 years IOL personnel had entertained the hope that a new era of growth was just round the corner. The realisation that so much planning and effort had been wasted was a traumatic experience for managers at all levels from which I think we are just beginning to recover. With hindsight, perhaps it was naive of us to have pinned all our hopes and aspirations on one project and when that proved infructuous we were unable to cope with the disappointment," recalls Roy.

A fact of corporate life which finds little appreciation particularly in the



Deb: regional demand pattern

warrens of the bureaucracy in New Delhi is that the denial of growth opportunities to a firm results in the blocking of promotions, lack of challenges and a consequent demoralisation of its personnel. This was the malaise that had gripped IOL and its alleviation has been Budhiraja's first priority.

Nevertheless, in retrospect, IOL managers admit that they erred in reposing too many hopes on its castor project. One of the well known rules of running the gauntlet of the anti-growth New Delhi establishment is to propose a clutch of project proposals in the hope that at least one will win the grudging approval of the omniscient governmental bureaucracy.

"I suppose we have not been very adventurous," admits S.D. Singh (58) former managing director (1980-1984) and the recently retired president of the company, who served the company in various capacities for over 35 years. Singh's term as managing director expired in March 1984, but he continued as president until a successor was found and ensconced in the chief executive's suite. "We have always felt more comfortable in concentrating on businesses in which we have developed expertise. Our emphasis has been on expanding the market for our mainline products, i.e. industrial gases. Even today, IOL is in the forefront in propagating upgraded technologies for welding which were hitherto unknown in this country and are cost effective and guarantee greater recovery. But despite repeated applications to the government to expand in our traditional lines of business, this was denied to us," says Singh ruefully.

The consequent loss to downstream user industries of IOL's purportedly better quality industrial gases and "upgraded technology" apart, the Union government's stubborn denial of permission to the company to increase production in its traditional lines of business had a predictable effect on the company. It began losing its market share.

"At one time we commanded over 50% of the industrial gases market and 100% of the medicinal gases market in the country. But all through the seventies, tiny units mushroomed all over the country offering industrial gases at lower prices. In the cut-throat competition that followed, each unit changed its pricing policies according to the market in which it was offering its products. IOL, which sells its products at the same price all over the country, suffered," says Kalika Prasad Deb (57), director (gases) of the company.

STRANGULATING REGULATIONS

Nevertheless, it stands to reason that if the quality of industrial gases and welding equipment that IOL manufactures is superior to what the competition offers, as company spokesmen make out, demand should not have been a constraint. Yet, in none of its major product lines (see pie chart) is the company utilising its licensed or installed capacity fully. But Deb has an explanation. "This is because 65% of our installed capacity is in the eastern sector where industrial growth had petered out in the seventies. Thus, while new gas manufacturing units were coming up in the west and south, we were strangulated by MRTP and FERA regulations and not allowed to expand our capacity in

areas where the demand was mounting. In this connection it is also pertinent to understand that the transportation of our products – particularly industrial gases – over long distances is not an economically viable proposition since industrial gases can be transported economically only within a radius of 300 km," he says.

According to Deb, IOL's installed capacity to manufacture industrial gases (oxygen, acetylene, nitrogen) in western India is a meagre 8% of the company's total installed capacity. Yet its market share is 15% and this trend is apparent in other parts of the country as well. "We have tried to maintain our hold in all these markets by the intensive and optimum use of our capacity, as well as by purchasing supplies from reliable vendors whenever the volume of demand has warranted it. However, with the installation of a more sophisticated tonnage plant to produce oxygen and nitrogen in Jamshedpur, which will enable us to manufacture a larger range of products at competitive prices, we are optimistic of improving our market share in the eastern region as well," says Deb.

Another traditional line of business in which the company has lost its predominance is the national market for electrodes. Of the three units in its fold – two electrode manufacturing factories at Khardah (25 miles from Calcutta) and Madras and a welding equipment manufacturing unit at Calcutta – the welding division (which currently accounts for roughly one-third of the turnover of the company) was one of the money-spinners of the group in the late fifties and sixties. Currently, the company has a 20% share of the national market, compared with Advani Oerlikon's 30%. The emergence of numerous heavyweight competitors such as Larsen & Toubro and Philips in this line of business also poses a threat.

Under the able stewardship of K. Ramaswamy (50), chief executive (welding division), and aided and abetted by favourable market conditions, the profitability of the welding division has recorded a dramatic improvement of 91% from Rs.2.20 crores in 1983-84 to Rs.4.20 crores — equivalent to more than 50% of the company's pre-tax profit in 1984-85.

A graduate of IIT-Kharagpur, Ramaswamy has held various senior assignments in Larsen & Toubro (L&T) and was group general manager of Utkal Machinery Ltd., Orissa (a joint venture project with equity participation from L&T, the Orissa government and German partners). He signed up with IOL in 1984 "because opportunities for upward movement existed if one proved one's mettle." In his 12 month tenure he has injected a new impetus into a division which was without a chief executive for almost a year and had suffered a sharp decline in profitability.

CRITICAL EXAMINATION

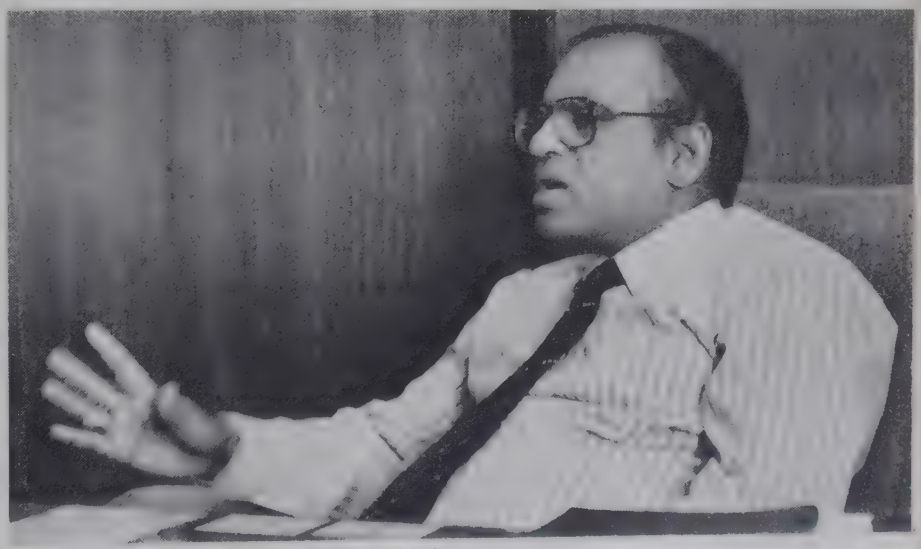
"It was quite apparent that our product mix in this division was not right and with the emerging competition, our margins were being severely eroded. To combat this problem, in the ambit of available facilities we have tried to enrich and improve our product mix so that we can obtain better prices and hence better margins. At the same time we are systematically and critically examining all the existing facilities to see how and where we can upgrade the quality of our electrodes and welding equipment. The first step in this direction is the modernisation of our electrodes factory in Madras. This factory, which manufactures about 1,200 tonnes of electrodes per month, has been earmarked an investment of Rs.65 lakhs for the modernisation of its facilities," says Ramaswamy.

But if the welding division seems to be poised for take off in a big way, the growth momentum of the promising cryogenics (or plants) division of the company seems to have slackened. Established in 1972 to cater essentially to in-house engineering requirements, this division now sells complete gas separation plants to both IOL's customers and competitors. "In the first six of the seven years after we opened shop, so to speak, the growth in plant sales was 10%-15% annually. Since then, growth has plateaued at 10% in rupee terms annually," admits S. Chakravarty (51), a chemical engineer of Pittsburgh university, USA and deputy chief executive of the plants division, who has been associated with IOL since 1956.



Chakravarty: demand slowdown

The reasons for this demand slowdown are many, explains Chakravarty. "Our division's profits are garnered largely from setting up captive gas manufacturing plants in steel and fertiliser complexes, as well as from the installation of merchant capacity for companies such as ours. In recent years the growth of core sector industries has not matched the pace of the last decade and hence our order books in that area of business are comparatively thin. We have, however, recently erected two 250 tonnes per day captive gas manufacturing plants at Jamshedpur for the Tata Iron & Steel Co. This order was valued at Rs.30 crores and is one of the larger orders that we have executed," says Chakravarty.



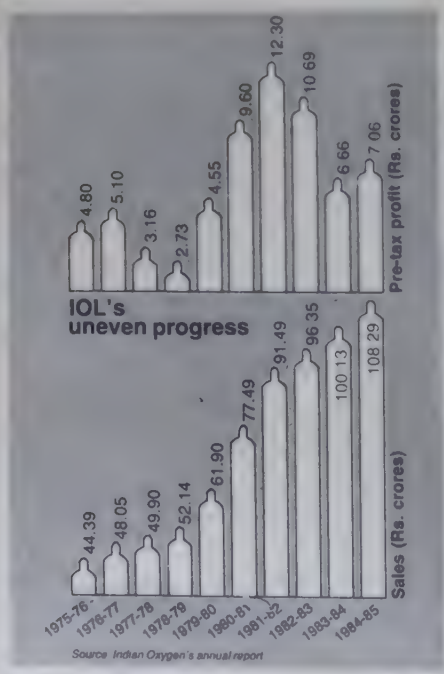
Ramaswamy: inappropriate product mix

To ensure the filling up of the cryogenic division's order books, Chakravarty has devised definite strategies. "We have a competent and skilled workforce and apart from negotiating with the various steel authorities at Durgapur and Vishakapatnam for instance for our usual lines of business, in collaboration with our British associates we are also offering new technology pressure swing adsorption plants. This process — a cheaper alternative to the traditional liquefication process — can be utilised for specific industrial uses and we hope to develop a larger number of applications for these plants," he adds.

FINANCIALLY SOUND

But despite the growth momentum of the company's three profit centres (i.e. industrial gases, electrodes and welding equipment) seesawing in the last decade and despite the capacity expansion constraints which have firmly pinned down its management's aspirations for over three decades, financially IOL has always been sound. Though sales of the company have increased steadily even if modestly over the years, the net profit (before tax) dipped significantly to Rs. 2.73 crores in 1978-79 from the previous year's Rs.3.16 crores. It increased substantially by 111% to Rs.9.60 crores in 1980-81 from the previous year's Rs.4.55 crores, and plummeted again in 1983-84 to Rs.6.66 crores before registering a modest recovery in 1984-85 (see graph).

Yet despite its roller-coaster profitability graph, it is significant that the company has been consistently in the black since it went public in 1958. Reserves at Rs.26.85 crores are almost twice the size of the company's paid-up capital despite a bonus issue capitalising Rs.3.65 crores in July last year. Equally significantly, on a net worth of Rs.41.45 crores the company has a negligible long-term debt. The aggregate secured debt of the company is a mere Rs.10.64 crores and is secured by the hypothecation of raw materials, components, inventory and book debts. Even the total debt of the company, including short-term debts, aggregates to a mere Rs.23.83 crores. Little wonder the equity share of the company is currently (11th April) quoted at a handsome Rs.60.50 on the Calcutta stock exchange.





Mody: "below our expectations"

Nevertheless there is no gainsaying that after two good years in the early eighties, the profitability of the company has slumped during the last two years. For this decline in profitability after the encouraging trend of the early eighties, Russi Mody, chairman of IOL, offers an explanation in his chairman's statement (1985) to the company's shareholders: "The performance for the year has been much below our expectations. A number of industries which we serve did not fare well and consequently the demand for our products was subdued. Keen competition, primarily arising from installation of substantial additional capacity in a virtually stagnant market, made the full recovery of the

"It is not for me to say whether I have been accepted, but I feel at home"

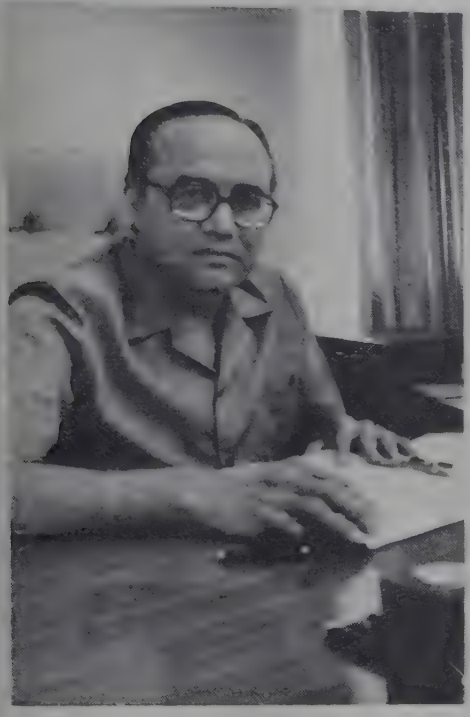
To those familiar with the management movement in this country, SashiBhushan Budhiraja (55) needs no introduction. A physics and mechanical engineering graduate of Delhi and Roorkee universities, Budhiraja began his professional management career in the oil industry as an engineering executive in Burmah Shell in 1952. Since then he has held various assignments in the public sector oil behemoth Indian Oil Corporation, helping the corporation to take on the oil multinationals and emerge as the largest company in the country in terms of sales turnover (Rs.11,051 crores in the year ended 31st March 1985).

Seconded to Indo-Burmah Petroleum Co. (IBP) in 1970, Budhiraja, as managing director of IBP (1970-74), was responsible for effecting the smooth takeover of this company by the government. Back in Indian Oil (1974-78) as its youngest ever managing director (marketing) in 1978, Budhiraja put in his papers, according to the corporate grapevine, because relations between him and the then chairman had soured.

His next assignment was a leap outward with the Dubai-based Al Futtaim group (estimated annual sales: Rs.2,000 crores). As director (overseas and corporate development) of Al Futtaim, Budhiraja was responsible for the control of the group's companies in Egypt, Oman and Qatar and the development of new business projects abroad.

To Budhiraja, who was somewhat disenchanted with working for a family-run organisation, the offer in 1982 of a fellowship at Harvard university, proved too tempting to resist on the completion of his four year contract with Al Futtaim. By the time his fellowship period at Harvard was drawing to a close, BOC had begun its hunt for a chief executive for Indian Oxygen Ltd. (IOL). After a series of meetings in London and IOL's headquarters in Calcutta, the decision was taken by both sides. BOC had found its man. Budhiraja accepted the offer to come back to India to take charge of the industrial gases giant.

In his functional office in Taratolla Road, Calcutta, Budhiraja talked to Debjani Sinha. Excerpts from the interview:



■ Indian Oxygen in many senses is a curious company. It is a blue-chip company with a sound financial base and an excellent reputation in the market. Yet in the last three decades, weighed down by adverse environmental factors, its growth seems to have peaked. What are your plans to energise this somnolent giant?

It is not correct to say that IOL has not been growing for three decades. Actually, it had a normal growth until the MRTP Act came into force in 1970-71. Some attempts to diversify did not receive government approval, which led to a degree of stagnation and helplessness.

The first thing is to clarify our strategy. Diversification is not an appropriate strategy for IOL in its current situation, because a fair amount of modernisation or expansion is possible in our existing lines of business. I think it is necessary for IOL's future to modernise its plants and bring in the latest technology in all its businesses. We are now in the process of modernising our largest gas manufacturing factory in Jamshedpur, and hope to follow that with the modernisation of our Maharashtra factory. Likewise, we are developing more high-tech products in our welding division.

These tasks have to be achieved by well trained and motivated people. Therefore we have taken several steps to improve employee communications and to step up training and development activities to increase the company's people orientation. With a consensus of views among our senior managers, we have brought about changes in the company's organisational structure to better define responsibility and accountability, which should lead to better performance.

■ IOL has had a tradition of appointing chief executives who have worked within the industrial gases industry and have been associated with the company for a number of years. At a time when perhaps a certain degree of restlessness was visible within IOL's managerial cadre, your appointment was finalised. What is your comment?

It is true that I am the first person outside BOC/IOL to have been appointed as chief executive. I think, during the period just before I joined, it had been accepted within the organisation that the new managing director would be from outside the company. To that extent my task was simpler. It is not for me to say whether I have been accepted, but I feel at home.

Since taking charge, I have not brought about any abrupt changes. By and large I have tried to introduce an open system of management in IOL and most changes have a consensus of views behind them. The aim is to retain the good points of the existing culture of integrity, reliability and customer service, and to bring about changes which will make the company a more dynamic organisation.

■ With your varied and rich managerial experience spanning the range of Indian industry in both the public and private sectors, which has been your most challenging assignment?

I think my most challenging and interesting assignment in India was inducting Indo-Burmah Petroleum, and later Balmer Lawrie, from the private into the public sector, and managing them in such a way as to keep the "don'ts" of the public sector culture away. Both the companies have grown and performed much better in the public sector than they did in the private sector, disproving the myth that the private sector is always more efficient.

■ In fact your tenure in the oil industry has been interspersed with alternate bouts in the private and public sectors — you left Indian Oil and rejoined. Yet the managerial inputs and orientation are different for the two sectors. How have you managed the change of environment in your different assignments?

I was seconded from Indian Oil to Indo-Burmah Petroleum/Balmer Lawrie, and recalled to take over as managing director of the marketing division of Indian Oil in 1974.

I do not consider the managerial inputs to be different for the public and private sectors. What is different is the degree of shareholder intervention Even in a private family-owned company there can be similar problems of shareholder interference. The other point is the difference in shareholders' objectives. In most cases, in private sector enterprises, shareholders' objectives are reasonably clear. But in the public sector, the objectives are ambiguous and manifold because of the wide spectrum of shareholders. And regretfully, economic objectives are given a back seat in taking many vital decisions.

■ Al Futtaim must have been another experience altogether. What do you feel has been your contribution to this giant overseas group? And what made you decide to move on?

Al Futtaim was certainly another experience. It provided me with a useful exposure to the international scene. Most of my work involved supervision of the group's companies in Egypt, Oman and Qatar. I was also involved in the development of new industrial and other projects in Pakistan, Sri Lanka and Malaysia, besides other West Asian countries.

I moved on because after some time the novelty of the international scene wore out, and the pace of activity was not adequate to provide me with job satisfaction. In some ways, I was also exposed for the first time to the problems of a family-managed organisation.

■ In the contemporary business environment, one school of thought advocates that a chief executive should be familiar with the nuts and bolts of the industry in which he works, while another school believes that the hallmark of a good manager is his ability to manage available resources, whatever the assignment. What is your comment?

Ideally, a chief executive should be familiar with the industry in which he works, and be a good manager. Where one cannot find both qualities in a single person, I think management skills must be given a greater weightage. I would also regard the willingness to learn the essentials of the industry as a part of the required qualification.

Remember what happened to punch cards, unit record machines and the men behind them?



The machines disappeared.
The men? Well, some became relics.
Some took refuge in cynicism.
A few kept pace. And adapted.
And managed to survive.

Moral of the story : If you live in an industry where "if it works, it's obsolete", you'd better keep adapting. And learning. Fast.

That's where Computers Today *comes in.

It's the one magazine that can keep obsolescence at bay.

Read it. You'll get well-researched, well-analysed, well-presented information in diverse areas. Written in a style that's lucid and racy.

It's a regular monitor of technology-trends. The latest software and hardware innovations. Industry news—national and international. A section on 'managing' information technologies. Book reviews. General interest articles ... a wealth of data that can keep you in touch with a rapidly changing industry.

If all this sounds like advertising hype, here's a fact that might interest you : more computer professionals



read Computers Today* than any other computer magazine.

So why don't you too join the adapters, the ones who keep pace.

Mail the coupon to us at the address below. But fast.

Computers TODAY

You could turn obsolete without it.

Computers TODAY

I am sending a cheque/DD of Rs. 72 in favour of Living Media India Pvt. Ltd
Please make sure I get the next 12 issues of Computers Today regularly

Name _____

_____

Address _____

_____

Living Media India Pvt. Ltd.
Subscription Department
Thomson Press Building
Post Box 69
Faridabad 121 007
Haryana

* From the publishers of India Today.

escalating input and operating costs impossible. Some of the units of the company continued to suffer from acute power shortage and the operation at the unit in Bombay was affected by industrial relation problems for some time. These factors were primarily responsible for a decline in volumetric sales of all major products other than electrodes, causing a sharp drop in the pretax profits."

TOO CAUTIOUS

But even though the company's solid net worth has provided it with sufficient resilience to weather such environmental viccissitudes, some corporate analysts believe that in managing its resources, perhaps the IOL management had taken too cautious an attitude. "It is true that all the expansion proposals of the company submitted to the government have been summarily and unreasonably rejected. Yet it is a fact of Indian corporate life that almost every well managed company has dramatically improved productivity and production through modernisation and the installation of 'balancing equipment.' IOL could have done the same and taken the risk of exceeding its licensed capacity as almost every drug company in particular has done. If nothing else, it would have reduced the company's income tax burden," comments a Bombay-based corporate analyst.

But quite obviously, IOL is too conservative and law-abiding a company to take such risks. Not surprisingly, S. Roy (52), chief executive (finance) of the company, bridles at the suggestion. "There is no reason to believe that our tax planning — given the capacity expansion constraints imposed on the company — is faulty, or that we are over-generous in our contributions to the government's kitty," he says crustily.

Roy: not over-generous



But if the financial edifice of IOL has been strong enough to weather many a storm, the company's peculiar problems have certainly taken their toll in the area of personnel management. Once it was apparent that the castor project would be nixed, in the wake of the wave of demoralisation that engulfed the company, a large number of high-fliers put in their papers. Company insiders, however, do not believe that IOL's staff turnover ratio is any higher than that of other large organisations.

NOT ALARMING

"If the company's managerial staff turnover ratio seems to be high, this is because the corporate ethos has changed completely in recent times. I don't think a young manager today walks into any job with the objective of staying on in the same company until the end of his career. It is the era of the job hopper and against this backdrop the rate of turnover of our personnel is indicative of current trends. It is by no means alarming," says former chief executive S.D. Singh, now in retirement in Calcutta.

And yet IOL is a curious company. All the executive directors of the company are outsiders, in the sense that their association with IOL has been of a relatively short duration of seven to 10 years, and in some cases even less. Consequently corporate analysts in Calcutta are not exactly brimming with compliments for a company which has not been able to nurture a handful of managers from within to assume top-level positions. However within the company, several explanations are proffered to elucidate this phenomenon. Some claim that the overpowering personalities of the chief executives of yesteryears stunted the growth of others, while many believe that the culture of crisis management that had taken root in the company as key managers jumped ship at critical times, left precious little time for the development of human resources. Thus, despite the fact that IOL was among the first multinationals to indigenise its top management, culminating in the appointment of A.K. Sen as the first Indian managing director of the company in 1959, after Sen's retirement in 1971 the chief executive's mantle was passed on to Keith Hartley, an expatriate Englishman during whose tenure the stillborn castor project was conceived.



Singh: changed ethos

When Hartley died suddenly in 1975, instead of choosing a successor from within the Indian company, the British Oxygen top brass flew down K.D. Moore from London to take over the reins of the company. And within a few months of assuming charge in 1976, Moore recruited three executive directors — K.P. Deb, P.R. Roy and N.K. Roy — from outside the company. Yet it was S.D. Singh who succeeded Moore as managing director in 1980 to become the only Indian managing director of IOL after A.K. Sen. And more significantly, he was one of the few chief executives of IOL who rose to the top from within the company.

But when Singh attained the age of retirement in 1984, there was no obvious successor until Budhiraja was finally cleared by BOC to head IOL. In the meanwhile, having read the writing on the wall, in 1984, N.K. Roy put in his papers and joined Brooke Bond, leaving the vital gases division headless once again. Consequently, K.P. Deb, who had held various portfolios — including director (finance) and director (welding) — was given charge of the gases division.

UNFLATTERING IMAGE

The net result of such abrupt lateral transfers, which are reportedly *de rigeur* in IOL, was that the welding division, which was not quite in the pink of health, was without a functional head for almost a year. Therefore it is not surprising that in Calcutta's corporate circles the high profile IOL has acquired the unflattering image of a company in

BusinessWorld
April 28—May 11, 1986

IOL's gigantic parent

BOC Group plc, which owns 39.76% of the equity in the Calcutta-based Indian Oxygen Ltd. (sales: Rs. 108.28 crores in the year ended 30th September 1985), is one of the world's largest industrial gases manufacturing company. In the year ended 31st December 1985, BOC (formerly known as the British Oxygen Co.) and its related companies recorded a massive sales turnover of £ 2,261 million (Rs. 3,957 crores) and an operating profit of £ 241.5 million (Rs 415 crores). Engaged in the industrial gases, health care, carbon and carbide, high vacuum technology and graphite electrodes businesses, the company has established its presence in over 50 countries and provides employment to over 40,000 people around the world.

Contrary to the run of most contemporary British businesses, BOC is solidly in the black with the post-tax profit in 1985 aggregating to £ 130 million (Rs. 228 crores). Significantly, the company has established a strong presence in North America, particularly in the US by taking over Air Reduction Co.Inc. (Airco) in 1978. Since then, the Americas have emerged as the most important geographical business area for BOC, contributing 40% of its sales turnover and 48% of its operating profit in 1985. Surprisingly, the Asia/Pacific region has contributed a larger percentage of BOC's worldwide sales turnover (25%) than Europe (22%). However, Europe's (28%) contribution to the operating profit of the company was higher than that of the Asia/Pacific region (17%).

Exceptional performance. But though on the whole BOC is solidly in the black and its special products and services businesses (high vacuum technology, food distribution, educational services and welding) have performed exceptionally well in 1985, chalking up a sales turnover of over £ 100 million (Rs. 175 crores) and profits of £ 14 million (Rs. 25 crores), the company is also not without its problems.

"The principal problem in our portfolio remains the graphite electrodes business in the US. With the passage of time and the success of our other investments, its importance to the portfolio is diminishing. Inspite of poor performance, it is a business which will, over time, contribute considerable cash to the group. However, it continues to report a loss of approximately £ 1 million each month – a situation which can only be described as unacceptable," says Richard V. Giordano (51), former chief executive of Airco, who is currently chairman and chief executive of BOC.

Appointed chairman of BOC on 1st January 1985, the US born Giordano nevertheless expects the company, which celebrates its centenary this year, to succeed and prosper. "We have spent most of the past five years restructuring our portfolio of businesses. We have sought to dispose of those businesses, some 30 in all, that have contributed little to our prosperity or absorbed a disproportionate amount of the group's management and financial resources. More importantly, we have sought to invest wisely in those businesses which we see as the base of our future growth – notably gases and health-care. We now have a much simpler structure and, with the exception of graphite electrodes, a group of businesses that has a very promising future," Giordano told the company's 48,961 shareholders in his chairman's speech in the year ended 30th September 1985.

which appointments are made on a fire-fighting basis, without any clear analysis of the demands of the job.

"With hindsight I think succession planning perhaps did not get the attention that it deserved," concedes S.D. Singh. "Also, looking back, I realise now that perhaps at the top management level we were too critical of the weaknesses of the people around us and perhaps overlooked their strengths. Though it wouldn't be true to say that familiarity bred contempt, we did tend to take people too much for granted," says Singh who was reportedly a tough chief executive for the classic type.

To emphasise a shift in orientation from money and materials to personnel and to encourage management development in a scientific and systematic manner, a clear-cut strategy has now been devised by Budhiraja. For a start, the personnel department, which had been headless for several years, is now headed by the executive director (personnel) G.S. Dutt, who joined IOL in

SportsWorld
Let's take a look at sports with people who've played the game
From the Ananda Bazar Group of Publications

May 1984 after having spent over two decades in the public sector. Dutt — who has held the positions of executive director (coordination and personnel) in Hindustan Copper in 1983, and director (personnel and administration) in Nalco in 1984—believes that the fallout of the reorganisation of corporate functions which was initiated in 1985, is likely to yield positive results.

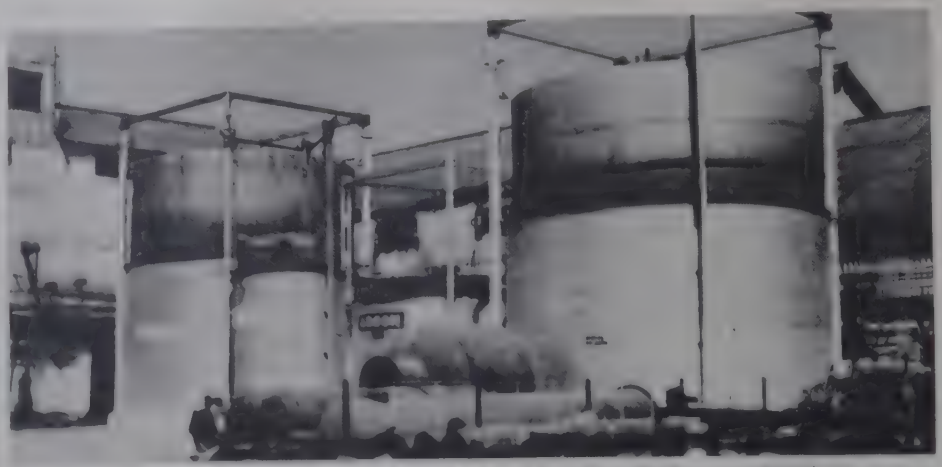
"By giving managers more clear-cut job descriptions in many functional areas, I think we have encouraged a greater degree of delegation which is bound to improve our competitive edge in the marketplace. Simultaneously, by identifying the training needs of our personnel and rotating people in different functional areas we should be able to build up a mature managerial team. Hand-in-hand with management development programmes — an on-going process — we have also introduced merit awards, an objective appraisal system and incentives at all levels to create a performance-oriented ambience. This has helped to motivate the workforce all the way down the line," says Dutt.

ENLIGHTENED APPROACH

Ironically, while rumblings of discontent have been periodically heard within IOL's managerial cadre, on the whole the company's 50-year-old history of operations in this country has been surprisingly bereft of any major industrial disruption. "The management has taken an enlightened approach to issues that could have resulted in industrial disputes if there was a confrontation. And by and large we have been able to thrash out our grievances across the table," says D. Pramanik (45), assistant secretary of the CITU dominated 2,200-strong IOL West Bengal Union.

Dutt: greater delegation





One view of IOL's tonnage plant at Jamshedpur: long awaited green signal

And yet there is disquiet within the union about the management's recently announced expansion and modernisation proposals. Union spokesmen are apprehensive that these plans are to be implemented only in the other provinces, while units in West Bengal are languishing. IOL's welding unit in Khardah requires immediate resuscitation, they believe. They also urge that the proposal to venture into the manufacture of sophisticated medical equipment at Salt Lake in Calcutta, which was once mooted, should be reactivated.

Yet the indications are that the management's priorities at the moment are different. But the dilemma of rationalising economic realities with sentimental considerations is a problem which the management will have to solve.

In the meanwhile, the green signal for its much awaited tonnage plants in Jamshedpur and Delhi (application pending since 1982) having been received and the modernisation of the Maharashtra plant full in swing, IOL is gearing itself for a new and overdue phase of growth.

And, with much activity planned for the forthcoming months, there is a discernible current of dynamism in Oxygen House, Calcutta. Having received the hitherto unjustly denied stimulus of growth, IOL's managers are charged for action. Not surprisingly, Budhiraja views the future with optimism: "There is a fair amount of work to be done in our existing lines of business and certainly the next few years will be years of consolidation. I think that by now the corporate objectives are very clear — we will make every attempt to regain our shares of the industrial gases market. At the same time we intend to expand the market for industrial gases by finding new applications for them. I am confident that from now on IOL will be perceived as a growing,active and dynamic organisation."

Yet, quite clearly, Budhiraja has a much tougher job on his hands than he makes out. As an outsider who has been installed into the chief executive's suite in IOL — a 50-year-old company with a strongly entrenched and distinctive culture — he will have to tread warily. At the same time, it is also a factor of not inconsiderable significance that the company has had a tradition of strong chief executives who have given it an authoritarian culture. Consequently Budhiraja will have to ensure that he introduces a human resources development orientation in the company without appearing to be too soft.

CHOSEN ONE

But though the task of decentralising the management of the company and giving it a stronger marketing and people orientation is a formidable one, there can be little doubt that the British Oxygen top brass have done well to anoint him the chosen one for the task. With his experience of the public sector — and of the all important contacts within it — as well as of international business, Budhiraja is eminently qualified to deliver IOL out of its bondage of stagnation.

His task has undoubtedly been made easier by the induction into power in New Delhi of the ideologically liberated Rajiv Gandhi administration, which has cut the bureaucratic shackles which bound companies such as IOL. The stimulant of growth and expansion which has been injected into the country's largest and pioneering industrial gases manufacturing company which has access to up-to-date technology, is certain to make his task easier. Indeed, the way things are shaping inside Oxygen House, Calcutta and within North Block, New Delhi the indications are that for IOL life is likely to begin at 50.

Private agencies

P.V. SATYANARAYANA



This article, the eighth in the series on business information, attempts to present details on private information vending organisations in India, which are engaged in monitoring economic and business information and providing the same to their clients for a pre-determined fee. The concept of purchasing information on a regular basis is not widely prevalent in Indian industry, but this culture is expected to grow steadily in the future.

Currently, not a few businessmen are of the view that the information needed to facilitate decision making can be collected from routine discussions and published sources. But with the markets for industrial and consumer products becoming increasingly competitive, industry executives will have to look beyond the conventional discussions and published sources for serving their critical decision making needs.

In the developed countries, the concept of buying information from private research organisations is a commonly accepted practice. Currently, there are several agencies in the developed countries which provide business information on demand and for a price. For instance, the *Financial Times*-SVP Business Information Service, London provides information on a host of topics related to business and industry. Similarly, Information Source, a business information agency located near Los Angeles, USA has reportedly stored over two million items of information under 30,000 different categories, which are available on demand.

Organisations such as these are basically information retailers or brokers. It is normally the practice of these agencies to enroll subscribers who can draw a specified number of units of information in a year on payment of a block subscription fee. *Financial Times*-SVP and Information Source are just two examples of numerous such agencies that exist and thrive in the West.

PACKAGE SERVICE

In India, however, although there are a few private organisations selling business information, the concept of information retailing is yet to become popular. The information vending agencies in India either offer a package service covering a wide range of economic information, or limit themselves to selling profiles of specific projects and industries. However, for the first time, a small-scale Bombay-based computer software company, Shachaka Dyna Informatics Pvt. Ltd., is attempting to offer business information on demand. To what extent Sachaka will be able to succeed in this field, however, remains to be seen.

The Commerce Research Bureau (CRB), an offshoot of the weekly *Commerce* and the Centre for Monitoring Indian Economy (CMIE) are the two most well-known private information research organisations in India. Both these Bombay-based organisations promoted by the late Dr. Narottam Shah, an eminent economist, are fairly well equipped to scientifically monitor business information in the present day context of the information explosion. Both the CRB and the CMIE offer a package of economic and business related information to their subscribers on payment of an annual fee of Rs. 15,000.

Neither of these organisations retail information on an *ad hoc* basis, although the CRB is believed to have seriously considered this option. CRB sources indicate that they had promoted a separate company for this purpose and were considering a tie-up with a Hong Kong-based information agency. But the untimely death of Mr. Vadilal Dagli, then editor of *Commerce*, has scuttled their plans. And now with Orkay Silk Mills having recently acquired a controlling interest in Commerce Publications, it is not clear what direction the organisation will take.

FREE ACCESS

Both the organisations have stored extensive data on the economy, industry and business at the macro and micro levels. Information is stashed in files and dockets in clearly demarcated sections covering a whole host of subjects. CRB sources also claim to be in possession of annual reports of about 3,500 Indian companies, with some reports covering periods of up to 18 years. CRB and CMIE subscribers have free access to these respective reference sections. However, while CMIE does not permit non-subscribers to use its reference facilities, CRB does provide this facility to casual researchers on payment of a daily fee of Rs 500.

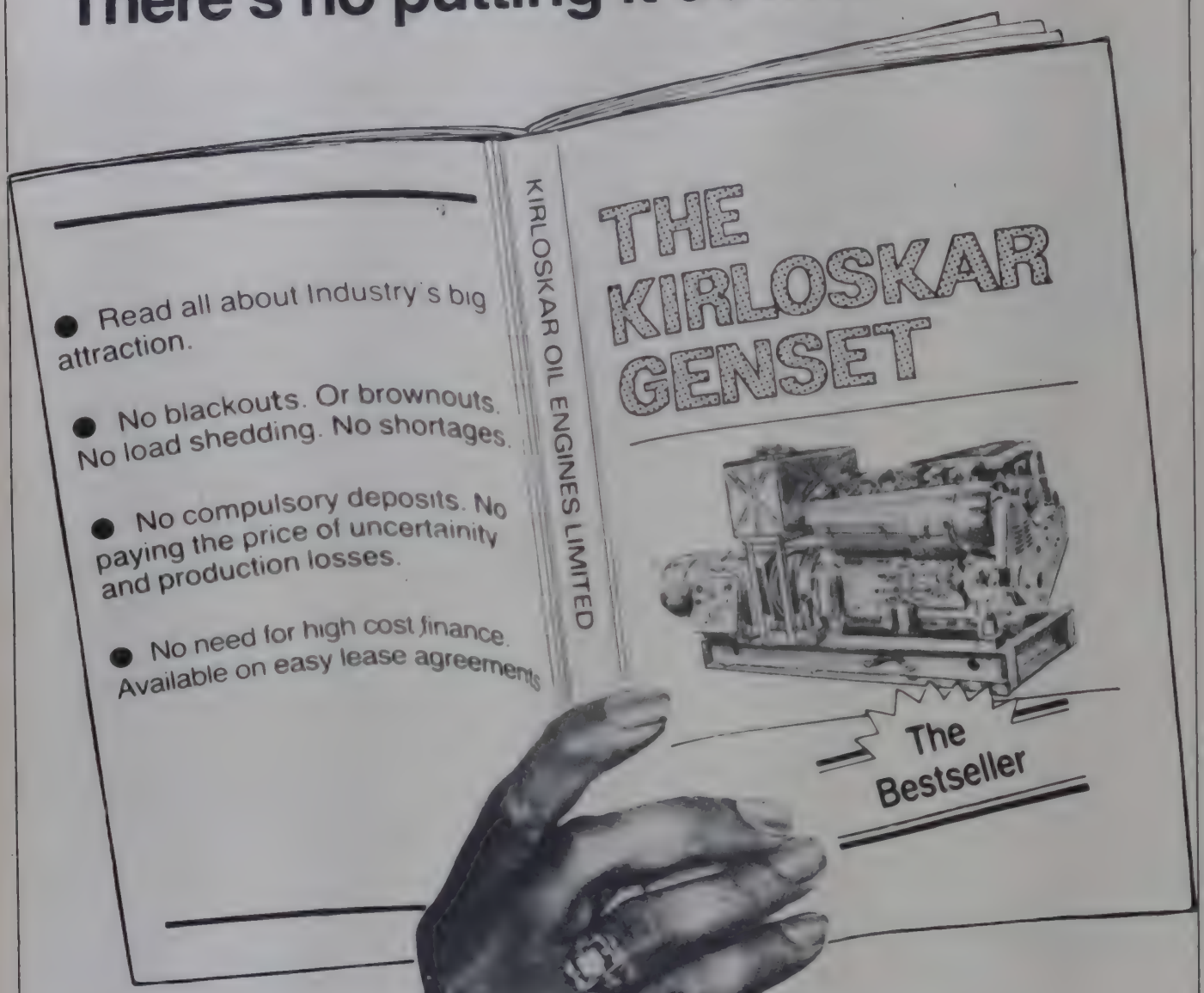
While there is not much to differentiate between CMIE and CRB, the former appears to have forged ahead in the subscription race. CMIE, which is now headed by Dr. D.T. Lakdawalla—ex-deputy chairman of the Planning Commission—after the death of Dr. Narottam Shah in 1984, claims to have over twice the number of subscribers of CRB. Lately, CMIE has also started computerising the storage and retrieval of its business information data, as a result of which it is confident of providing an increasingly efficient service.

There are two other organisations which specialise in offering profiles of industrial projects and their markets. These are the Delhi-based Small Business Publications (SBP), and the Bombay-based Pranava Industrial Services Pvt. Ltd. SBP has been a pioneer in this field, but the users have a mixed opinion about the quality and content of its reports. While some users have been highly appreciative of the information provided by SBP at a very nominal price, others consider the reports inadequate. Meanwhile, Pranava, apart from providing market and project profiles on various industrial and consumer products, also publishes a quarterly journal, *Industrial Researcher*, which provides status reports on industrial and consumer products and elaborates on the opportunities available for new entrepreneurs.

Apart from SBP and Pranava, a few others have also started offering similar services. One of them is the Delhi-based Consultants Corporate of India, which has been regularly advertising its range of reports. The other is the Indian International Trade Centre, Bombay which specialises in providing information on international markets in the form of market reports and mailing lists. But lately, it appears to be concentrating more on training programmes.

The existing private business information agencies in India have been fulfilling the demand for economic data and preliminary information on industrial projects quite adequately. However, what is sorely missing is the availability of specific information on demand from such agencies to cater to the increasingly sophisticated and complex information needs of business and industry. If this information lacuna can be bridged, then business decisions would certainly become more effective and less time consuming.

Once you pick it up
There's no putting it down!



The most dependable power is now also the most affordable. With mains power tariff going up, the difference between the cost of diesel and state power supply has gone down. Now captive diesel power is the most sensible; economical and efficient source of power.

Powered by the HA and RB engines, the Kirloskar Genset is the most fuel efficient in its class....15 to 83 kVA range. It offers the lowest cost of operation.

We bring you all the benefits of this bestseller now within easy reach.

Kirloskar

KIRLOSKAR OIL ENGINES LIMITED
Khadki, Pune 411 003

Contact our offices at:

KIRLOSKAR OIL ENGINES LTD.
UCO Bank Building,
Parliament Street,
NEW DELHI 110001
Phone: 388544, 381786

KIRLOSKAR OIL ENGINES LTD.
15, Khader Nawaz Khan Road
Kakani Towers, II Floor
Nungambakkam
MADRAS-600006
Phone: 471998

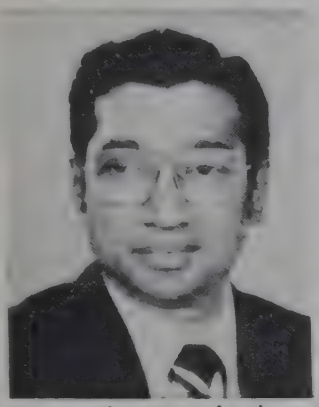
KIRLOSKAR OIL ENGINES LTD.
Suite No. 1, 10th Floor,
'Chitrakoot', 230/A, Acharya
Jagdish Chandra Bose Road,
CALCUTTA 700020.
Phone: 443363, 444731

KIRLOSKAR OIL ENGINES LTD.
2046 Sadashiv Peth,
Pune Vedshastrottejak Sabha Bldg
Opp Municipal Sports Ground,
PUNE 411030
Phone: 34697

BusinessWorld
April 28—May 11, 1986

A double-edged weapon

WALTER E. VIEIRA



Very few professional marketers are likely to dispute the statement that market segmentation is the key to the successful marketing of a brand. It is obvious that one product cannot meet the specific requirements of a broad spectrum of customers. At the same time, it is not practical or economic for a company to have such a broad range of products, that each product meets the requirements of each narrow segment of customers.

Thus marketers have to strike a balance between having too narrow a product range which would attract the custom of only a small percentage of the market and too broad a range which would defeat the possibilities of a firm enjoying the economies of scale. Consequently, brand marketers who know their jobs, spend not a little time in attempting to identify core customers and woo them even while simultaneously wooing customers in fringe markets, all the while hoping for the best in relation to customers in zones of indifference.

For smaller companies with more limited resources, and specially for those fighting much larger companies in the marketplace, the need for market segmentation is even greater. This explains the success of the Garden Vareli range of textiles, which is giving a stiff fight to the giant Reliance Industries' Vimal brand by using the 'designer collection' stance and appealing to the upmarket segment of the market. Reliance had to counter this with its Melody collection of designer fabrics for the same segment.

SMALLER SEGMENT

The 'designer collection' angle has been extended to other areas of consumer products as well. Shyam Ahuja Dhurries has used this angle extremely well. The firm has isolated itself from regular carpet manufacturers and, more important, it has also isolated itself from the large manufacturers of machine made carpets, such as Transasia and Modifloor. It offers a designer collection of dhurries and appeals to a comparatively smaller market segment which is nevertheless large enough for the company to run profitably.

There are other marketers who have maintained a fixed stance in devising their segmentation techniques. There is a certain advantage in this. It ensures that there is no diffusion of the product image. There are branded products such as Boroline antiseptic cream which are associated with the working girl—'Boroline works as hard as you do.' Then there is Silvikrin for falling hair—a message that comes through straight and clear to all those who were born before 1945.

Perhaps there is some wisdom in maintaining a fixed stance for the product in terms of market segmentation. The association becomes clear. Yet there is the obverse side of this strategy also. The rate of growth may be unimpressive. But if the market is growing at a good rate, as many markets are (e.g. the youth, urban, working girl markets), the company may not experience any problems.

On the other hand, there are other marketers who have had a one-to-one relationship between the product and the market, and have subsequently tried to extend the boundaries of the market by expanding into another segment as an additional core group. The latest in this category is Amul chocolates. These chocolates were promoted as a product for children all these years—and now the promotion has been extended to the 'older generation', which will also appreciate a gift of Amul chocolates. How much this will help to extend the market for Amul chocolates, or give returns proportionate to the efforts put in, remains to be seen.

EXTENSION OF APPEAL

Other marketing professionals have tried to extend the circumference of their markets in a similar fashion. Johnson & Johnson's baby soap is now being projected as being good for mothers as well. Thus from the purely baby products' market, J&J's marketing people have tried to acquire a share of the adult market by promoting its usage by mothers who have babies and therefore will have a Johnson's baby soap handy. Likewise, the appeal of Pears soap, which was identified with growing girls, has been extended to their mothers also. Has this extension of appeal converted Pears into a kind of general soap? Perhaps; perhaps not. But if it has helped to increase the volume sales of Hindustan Lever, then obviously it was the correct decision.

However, there is a limit to segmentation. Just as the non-segmentation of a total market can be a big mistake, so also oversegmentation can create as big a problem for marketers. Sometime ago, a toothpaste branded Trust was introduced in the southern markets. There was Red Trust for day use, and Blue Trust for night use. The consumer was expected to buy two packs at one time—a red pack and a blue pack. The two were different formulations; each suited to a particular purpose. Unfortunately, the customer did not oblige. Trust failed. Its marketers had oversegmented the market.

Can the concept of a baby soap and the concept of a young woman's soap be extended to the concept of a children's soap? Perhaps yes; perhaps no. Bubbles soap was recently promoted heavily as a children's soap in selected markets. It was extensively distributed with good point-of-sale support. But Bubbles did not sell as well as it should have. It did not offer any specific product benefit except fun—the fun of bubbles floating all over. This perhaps induced many consumers to think that just fun was hardly a sufficient incentive for switching brands.

Often even a minor deviation from the existing image of a brand can cause major upheavals in the market segment. This is probably what has happened to Charms cigarette—with its shift from the youth to the freedom image, as projected by the birds. There may be other reasons also for the loss of market share (like price changes), but the change in the image projected could be a major factor. This has happened earlier with Dettol, which attempted to change gears—from a powerful antiseptic, to one suitable for tender baby skin. Many other brands have also experienced this. In their attempt to extend their brands' segments, marketers have either not succeeded in the extension or, worse, have even lost a part of their existing core markets.

Market segmentation is a double-edged weapon. It can be used and it can be abused. It goes beyond being just a science. It is also an art. It requires not just a facility with statistics, but also a 'feel' of the marketplace, and an instinctive awareness of what will, and will not, work in it.

Summer package options

With the advent of summer, package tour operators have begun wooing middle class citizens in right earnest. Full page advertisements in mainline dailies, colour brochures through letter boxes, fancy itineraries and even televised advertisement messages are raining down on potential travellers. These promotional efforts, the cost of which is by no means modest (a 10 second television spot on the national television network costs Rs. 40,000), are indicators that the package tours business is booming. And with competition hotting up, tour operators are vying with one another to offer extra mileage, tourist frills and better service while striving to keep costs down.

For the average Indian tourist, package tours offer the best way to see the world. Under the regulations of the Reserve Bank of India, Indian travellers are permitted to draw a maximum of $500 in foreign exchange for foreign travel every alternate (now every third) year. Given the reality of global inflation, this allowance is barely enough to cover costs of board and lodging in most of the holiday spots of the world. For foreign currency strapped indigenous tourists, package tour operators, who derive the advantage of massive group discounts, offer the facility of staying in some of the best hotels, as also of seeing at least the principal sights in each of the places they visit.

Package tours to the various foreign destinations are priced between Rs. 8,000-30,000, depending on the places visited, the length of the tour and the services offered (see box). A part of the tour cost is usually recovered from each traveller's FTS (foreign travel scheme) allowance of $500. This covers admission fees, food and other miscellaneous expenses incurred by package tour operators abroad. Thus, the discretionary spending money available to the Indian package tourist is rather limited. So choosing a tour which offers the maximum value for money is very important—especially because for most Indians foreign travel is a once-in-a-lifetime experience.

EXCLUSIVE FACILITIES

Yet the rash of advertisements and media blitz offering exciting foreign holidays, serve to confuse rather than help a potential traveller to make a decision about which package tour to choose. Basically, most operators offer tours to three major sectors, *viz.* Europe, the US and the Far East. The tour fare usually includes cost of passage, travel, hotel accommodation and sightseeing. Two meals—breakfast and dinner—are provided by most of the package tour firms. Apart from this standard fare, the tour operators also offer some special facilities which they claim are exclusive to their packages. And in the final analysis, these USPS (unique sales propositions) differentiate one package tour from another.

"For the average Indian family, a holiday abroad is the second heaviest expenditure in their lives—the first being the purchase of a house. Naturally, the first priority is to choose a tour which is selective about the people it accepts," says Lalit Sheth (30), managing director of the Bombay-based Shree Raj Travels. Incorporated in 1979, Raj Travels has since despatched over 8,000 tourists abroad, and is one of the fastest growing package tour firms in the business.

Acording to Sheth, Raj Travels is extremely choosy about the people it takes on board its tours. Smokers and drinkers are given short shrift and single men's applications are accepted only on the basis of the recommendations of well-behaved customers. Raj Travels has also acquired a reputation for providing high quality Indian vegetarian food on its tours.

Shamji Vora (49), a partner in the well-known departmental store, Amar-

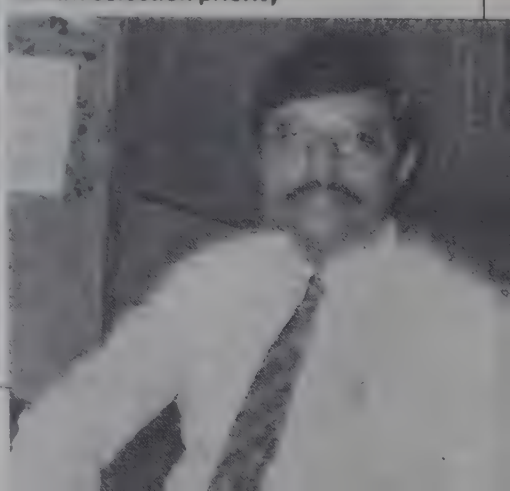


Entry point into New York: for most a once-in-a-lifetime experience

RAJ TRAVELS & TOURS PVT. LTD. (American option)

US Experience	New York, Buffalo, Niagara Falls, Washington D.C., Orlando, Circusworld, Cypress Gardens, Epcot, Seaworld, Disneyworld, Miami, San Francisco, Yosemite National Park, Las Vegas, Los Angeles, Universal Studios, Magic Mountain.
Duration: 18 days	**Price:** Rs. 25,990 + US $200
	Departures: April 23, 30, May 7, 14, 21, 28, June 4, 11, 18, 25, July 2, 9, 23, August 20, September 24, October 15.

Sheth: selection priority



LALA TOURS (American option)

[illegible]	Orlando, Epcot, Disneyland, Cypress Gardens, Seaworld, Los Angeles, Universal Studios, Grand Canyon National Park, Las Vegas, Yosemite National Park, San Francisco, Washington D.C., Niagara Falls, New York
Duration: 20 days	**Price**: Rs. 22,250 + us $200 **Departures**: May 4, 11, 18
Jet America	New York, Washington D.C., Orlando, Epcot Disneyworld, Cypress Gardens, Seaworld, Niagara Falls, Las Vegas, Los Angeles, Universal Studios, San Francisco, Yosemite National Park
[illegible]	**Price**: Rs. 25,950 + us $200 **Departures**: May 17, June 1.

SOTC (American option)

Gold Class America Holiday	New York, Buffalo, Niagara Falls, Philadelphia, Washington D.C., Orlando, Epcot Center, Disneyworld, Circusworld, Seaworld, Miami Beach, Los Angeles, Universal Studios, Honolulu, Las Vegas, San Francisco.
Duration: 20 days	**Price**: Rs. 24,990 + us $250 **Departures**: April 22, 29, May 4, 6, 11, 13, 20, 27, June 3, 17, 24, July 1, 15, 22, August 5, 19, September 2, 16
Superstar America	New York, Niagara Falls, Washington D.C., Orlando, Epcot Center, Disneyworld, Seaworld, Cypress Gardens, Miami Beach, San Francisco, Las Vegas, Los Angeles, Universal Studios, Honolulu
[illegible]	**Price**: Rs. 25,750 + us $200 **Departures**: April 25, May 2, 9, 16, 23, 30, June 6, 20, 27, July 4, 18, 25, August 8, 22, September 12, 19

TRADE WINGS LTD. (American option)

American Panorama	New York, Buffalo, Niagara Falls, Orlando, Disneyworld, Epcot, Seaworld, Washington D.C., Las Vegas, Los Angeles, San Francisco.
[illegible]	**Price**: Rs. 23,390 + us $100 **Departures**. To be finalised

SITA WORLD TRAVEL (INDIA) PVT. LTD. (American Option)

American Spree	New York, San Francisco, Carmel, Monterey, Solvong, Los Angeles, Las Vegas, Zion National Park, Bryce Canyon National Park, Grand Canyon National Park, Park Scotts Dale, New Orleans, Orlando, Epcot Center, Washington D.C., Niagara Falls. Ex Delhi/ Bombay
Duration: 23 days	**Price**: Rs. 26,400 + us $300 **Departures**: May 12, June 9, July 7, 14, 21, August 4, 18, September 15.



Vora: excellent arrangements

sons, situated in Bombay's posh Breach Candy, recalls: "I went to the us last summer on a Raj Travels' package tour. The arrangements were really excellent—good vegetarian food, internationally famous hotels, lots of sightseeing and the main thing which pleased me was that there were no hidden expenses.

This summer, Raj Travels, which has been advertising aggressively in the media, has expanded its product mix and apart from a wide range of tours to the Far East and the us, it now also offers package tours to less trodden paths such as Scandinavia, Egypt, Greece, Australia and Mauritius.

SOLE REPRESENTATIVE

Seeing Europe the Cosmos way with tourists from all over the world, is an opportunity that Thomas Cook (India) Ltd. offers this summer. Thomas Cook is the sole promotional representative in India for Cosmos Tourama, UK—one of Europe's largest package tour operating firms, which offers over 25 different tours all over Europe. Travel is mostly by air-conditioned luxury coaches.

Though the instinctive reaction of Indian tourists who have experienced the misery of travelling by the indigenous version of inter-state 'luxury' buses is likely to be less than favourable, it is pertinent to bear in mind that inter-city and even international distances in Europe tend to be very short.

Besides, the road network is excellent as is the tourism infrastructure *en route*. Touring picturesque Europe by road has a charm of its own, especially if the itinerary is planned in such a way as to offer stops on the way that facilitate the savouring of authentic European cuisine, which Thomas Cook managers in Bombay promise.

"We send groups of 10-15 Indian tourists for each of these tours organised by Cosmos Tourama. This ensures that they don't feel isolated, yet at the same time they get a chance to travel with people from other countries," says Sadhana Seth (30), the Bombay-based executive (outbound tours) of Thomas Cook.

Thomas Cook offers a special package tour to Indian tourists, which Seth recommends in particular: "This package tour, priced at Rs. 16,490 plus US $295 for 23 days, is very different from the other package tours being offered in the marketplace. It gives the tourists a lot of free time at important destinations and also allows them to savour the real flavour of the English countryside—charming towns such as Oxford and Stratford-upon-Avon—destinations which no other tour operator offers."

Budget tours to all the three sectors, *viz.* the Far East, Europe and the US, with the lowest ever cut from the tourist's FTS allowance, are emphasised as the unique feature of the package tours offered by Trade Wings Ltd. Comments Shailendra Mittal (31), vice chairman of Trade Wings: "In my opinion, what Indian tourists want when they go abroad is to visit the maximum number of countries on a limited budget and to do a bit of shopping. As we demand the lowest foreign exchange component from each tourist's FTS allowance, people travelling on our tours have more spending money abroad. Besides, most of the hotels where we lodge our passengers are as well known by other tour operators—so we definitely offer a better bargain!"

TRAVEL CORPORATION (INDIA) PVT. LTD. (American option)

USA—Coast to Coast	New York, Buffalo, Niagara Falls, Orlando, Denimworld, Disneyworld, Epcot Center, Seaworld, Circusworld, Washington D.C., San Francisco, Yosemite National Park, Mariposa, Reno, Las Vegas, Los Angeles.
Duration: 20 days	**Price:** Rs. 24,490 + US $200 **Departures:** April 29, May 6, 13, 20, 27, June 3, 10, 17, 24, July 1, 8, 29, August 19, September 2, 23, October 10.

DINERS WORLD TRAVEL (American option)

USA	New York, Washington, Syracuse, Niagara Falls, Orlando, Disneyworld, Epcot Center, Seaworld, Las Vegas, San Francisco, Los Angeles.
Duration: 20 days	**Price:** Rs. 23,500 + US $300 **Departures:** May 5, 19, June 2, 23, July 7, 28. August 25, October 6.

LALA TOURS (European sector)

European Experience	Italy (Rome, Naples, Capri, Sorrento, Florence, Pisa & Venice) Switzerland (Geneva, Lucerne, Mt. Pilatus & Zurich) France (Paris, Chamonix, Versailles & Calais) UK (London, Dover & Harwich) Holland (Amsterdam, Hook of Holland, Madurodam & Duinrell) Belgium (Brussels) W. Germany (Frankfurt & Rhine Cruise) Austria (Innsbruck & the Dolomites)
Duration: 21 days	**Price:** Rs. 16,950 + US $200 **Departures:** May 6, 13, 20, June 17, July 1, August 5, September 2, 10.
Mini Europe	Italy (Rome, Naples, Capri, Sorrento, Florence & Pisa) Switzerland (Geneva, Lucerne, Mt. Pilatus & Zurich) France (Paris, Versailles & Calais) UK (London & Dover)
Duration: 14 days	**Price:** Rs. 14,950 + US $100 **Departures:** May 6, 13, 20, June 17, July 1, August 5, September 2, 30.

WELL ORGANISED

The chance of seeing one additional country — the Soviet Union — at a nominal extra cost ($25) prompted Dr. S.V. Vora (61), a former general manager (production) of Glaxo Laboratories and now a small-scale sector entrepreneur-manufacturing bulk drugs, to sign up for

House of Parliament, Britain: historic char



BusinessWorld
April 28—May 11, 1986

Trade Wings' 21-day Pan-European coach tour last June. "By any standard of measurement, the trip was very well organised by Trade Wings. Of course, not all our tour companions were on their best behaviour, but one cannot blame the agency for that. We were lodged in the best hotels in each of the eight countries we visited. We certainly could not have afforded to stay in these hotels had we travelled on our own," says Vora.

Reminiscing about the trip, Vora says, "Although I had been to Europe several times, this was the first time that I got an opportunity to see the lush green countryside. What never ceased to amaze me was how clean the people of Europe are. As we drove along the Rhine, we could almost see to its bottom. Even in the Soviet Union, everything is kept spotlessly clean. I was also particularly impressed by the enormous discipline of the Russian people. I think even the crowds in the Soviet Union must be models of discipline. The first-hand experience of a country behind the iron curtain was something really unique and unforgettable."

The advantage of travelling in a small compact group with lots of sightseeing thrown in is the benefit which the travel division of Diners Club India Pvt. Ltd. offers. Comments Tehmi Master (34), manager, Diners World Travel (DWT): "We limit each group to 30 members at the most, so that we can provide greater individual care and attention."



SOTC (European sector)

Gold Class European Holiday Duration: 22 days	London, Paris, Zurich, San Remo, Pisa, Sorrento, Capri, Rome, Vatican, Venice, Vienna, Frankfurt, Cologne, Leiden, Amsterdam, London. **Price:** Rs. 17,990 + us $300 **Departures:** April 24, May 1, 8, 15, 22, 29, June 5, 12, 26, July 3, 17, 24, August 7, September 4, 18.
Superstar European Holiday Duration: 22 days	London, Brussels, Paris, Geneva, Pisa, Rome, Naples, Capri, Vatican, Venice, Zurich, Eigerkingen, Frankfurt, Cologne, Amsterdam, Madurodam. **Price:** Rs. 18,990 + us $300 **Departures:** April 29, May 6, 13, 20, 27, June 3, 10, 24, July 8, 15, 29, August 12, September 2, 16.

DINERS WORLD TRAVEL (European sector)

The Best of Europe Duration: 19 days	London, Paris, Geneva, Chamonix, Pisa, Florence, Rome, Naples, Capri, Sorrento, Venice, Zurich, Lucerne, Frankfurt, Rhine Cruise, Cologne, Amsterdam, London. **Price:** Rs. 15,400 + us $300 **Departures:** April 29, May 6, 13, June 3, 17, July 8, August 5, September 16.

SITA WORLD TRAVEL (INDIA) PVT. LTD. (European sector)

European Adventure Duration: 18 days	Rome, Pisa, Venice, Innsbruck, Zurich, Lucerne, Frankfurt, Cologne, Amsterdam, Brussels, Paris & London. **Price:** Rs. 16,500 + us $250 **Departures:** April 19, May 10, 24, June 7, 28, July 5, 12, 26, August 16, September 6, 27, October 11.
European Holiday Duration: 12 days	Frankfurt, Heidelberg, Frieberg, Zurich, Lucerne, Interlaken, Geneva, Paris, London. **Price:** Rs. 14,790 + us $150 **Departures:** May 11, 25, June 8, 22, July 6, 20, 27, August 3, 10, 17, 24, 31, September 14, 28, October 12.

TRAVEL CORPORATION (INDIA) PVT. LTD. (European sector)

Europe & UK '86 Duration: 21 days	London, Amsterdam, Madurodam, Phantasialand, Cologne, Rhine Cruise, Frankfurt, Rhine Falls, Zurich, Venice, Abano, Rome, Florence, Pisa, Geneva, Paris, Versailles, Dover, London. **Price:** Rs. 16,990 + us $300 **Departures:** April 24, May 1, 8, 15, 22, 29, June 5, 12, 19, July 10, 31, August 14, September 4, 18, October 9.

TRADE WINGS LTD. (European sector)

Russo-European Splendour	Moscow, Paris, Geneva, Pisa, Florence, Rome, Venice, Zurich, Frankfurt, Amsterdam, Hague, Hook of Holland, Harwich, London.
Duration: 21 days	**Price:** Rs. 16,490 + us $175 **Departures:** April 22, May 6, 27, June 10, 24, July 15, 29, August 19, September 2.
Budget Europe	Rome, Venice, Zurich, Lucerne, Frankfurt, Amsterdam, Hague, Hook of Holland, Harwich, London.
Duration: 14 days	**Price:** Rs. 12,990 + us $100 **Departures:** April 29, May 13, 27, June 3, 17, July 1, 22, August 5, 26, September 9, 30.
European Panorama	Paris, Geneva, Pisa, Florence, Rome, Venice, Zurich, Lucerne, Frankfurt, Amsterdam, Hague, Hook of Holland, Harwich, London.
Duration: 18 days	**Price:** Rs 15,990 + us $150 **Departures:** April 25, May 9, 23, 30, June 13, 27, July 18, August 1, 27, September 5, 26.

Diners offers tours to the us, Europe, Hong Kong, Manila, Japan and Singapore. "On our tours, we give greater importance to sightseeing rather than shopping, the benefits of which are dubious and more apparent than real. Not that we don't allow time for shopping. In fact, we ensure effective shopping," says Master.

The small size of the Diners' group is a definite advantage, says N.V. Parikh (36), proprietor of Machinery Refrigeration Co., a Bombay-based compressor spares trading company with an annual sales turnover of Rs. 25 lakhs. "I went to Bangkok and Singapore last year on a Diners' package tour. I was very impressed with the high standard of all the arrangements. We were lodged in the best 5-star hotels. The guides accompanying us made the sightseeing very interesting—they told us the legends behind the different Buddha statues. And because we were quite a small group, it was rather like a family holiday. The tour was also fruitful for me in another sense because I was able to contact a few businessmen in Singapore who are now regularly doing business with me," recalls Parikh.

FORMIDABLE REPUTATION

Yet, quite obviously, meticulous planning and an eye for detail is not a Diners Club monopoly. Certainly, in the Far East sector, the country's largest package tour firm, SOTC, which advertises aggressively in the mainline press, has acquired a formidable reputation. Among SOTC's numerous satisfied customers is Alaka Bhosle (33), the Bombay-based managing director of DaCunha Communication Services. "Three years ago, I went to Nepal with my two children on an SOTC package tour. We really had a great time. Right from arrival at the airport, the agency took care of all our papers. At all the destinations, there was a board telling us where to go and what to do next. Throughout the tour, what really impressed me was the attention paid to small details, which made the tour a pleasantly memorable experience," recalls Bhosle.



Aerial view of Hong Kong

RAJ TRAVELS & TOURS PVT. LTD. (European sector)

Grand Europe	London, Dover, Zeeburg, Antwerp, Brussels Walibi, Madurodam, Amsterdam, Cologne, Rhine Cruise, Frankfurt, Heidelberg, Munich, Innsbruck, Venice, Florence, Rome, Pisa, Geneva, Interlaken, Paris, Calais, Dover
Duration: 24 days	**Price:** Rs. 19,490 + us $250 **Departures:** April 23, 30, May 7, 14, 21, 28, June 4, 11, 18, 25, July 2, 9, 23, August 20, September 24, October 15.
Mini Europe	Frankfurt, Rhine Cruise, Heidelberg, Zurich, Interlaken, Geneva, Paris, Antwerp, Brussels, Zeeburg, Dover, London.
Duration: 14 days	**Price:** Rs. 16,490 + us $125 **Departures:** To be finalised.

THOMAS COOK (INDIA) LTD. (European sector)

Europe	London, Ostende, Amsterdam, Rhineland, Lucerne, Liechtenstein, Tyrol, Italian Dolomites, Venice, San Marino, Rome, Florence, Pisa, Nice, Avignon, Lyon, Paris.
Duration: 23 days	**Price:** Rs. 16,950 + us $295 **Departures:** April 20, 27, May 5, 12, 21, 28, June 4, 11, 18, 25, July 2, 9, 23, August 6, 20, September 3, 17.

It is probably this attention to small details which has prompted SOTC to introduce its special Superstar class tours this year. Comments Purshottam Chattpar (46), senior sales manager of SOTC: "From our long experience in this line of business, we have found that there were two distinct categories of people who travel on our package tours. One group is invariably fairly rigid and



structured in its life style and looks to the tour operator for each and every facility. On the other hand, each group also contains a sub-group of more independent and adventurous tourists who want to go off on their own, see things like the night-life in the different cities, and so on. We found that people from these two groups were not wholly comfortable with each other. So this year we have introduced our Superstar tours for the first group, in which we even provide vegetarian lunches and shopping guidance. For the second group we offer exciting optional tours such as a Caribbean cruise and a trip to Honolulu."

But as the pressure of competition within the package tour industry intensifies, travel trade managements are pulling out all the stops to win friends and influence customers. Travel Corporation (India) Pvt. Ltd. (TCI), the sole selling agents for Eurail (Europe), Greyhound (USA) and British Rail in India, has also earned a reputation for being meticulous in planning and organising its package tours. Niloufer Kavrana, who supervises the Eurail, Greyhound and British Rail bookings at TCI's Bombay office, has no doubts on this score. "Our rates are very competitive and we do not cut corners because we have a reputation to lose. Indeed, a

LALA TOURS (Far East sector)

Japan & the East Duration: 20 days	Bangkok, Pattaya, Hong Kong, Osaka, Nara, Kyoto, Hakone, Kamakura, Tokyo, Nikko, Manila, Singapore. **Price:** Rs. 17,990 + us $250 **Departures:** May 5, 19.
Holiday Hong Kong Duration: 14 days	Bangkok, Pattaya, Hong Kong, Manila, Singapore. **Price:** Rs. 11,250 + us $75 **Departures:** May 8, 22, June 5, July 3, August 7, September 7, October 9, 30, November 6, December 18.
Singapore Spectacular Duration: 13 days	Bangkok, Pattaya, Penang, Genting Highlands, Kuala Lumpur, Singapore. **Price:** Rs. 8,250 + us $75 **Departures:** May 5, 12, October 27, November 3, December 22.
Singapore Spree Duration: 10 days	Bangkok, Pattaya, Singapore. **Price:** Rs. 6,950 + us $50 **Departures:** April 24, May 1, 8, 15, 22, 29, June 5, July 3, August 7, September 4, 25.

TRADE WINGS LTD. (Far East sector)

Hong Kong for a Song Duration: 12 days	Pattaya, Bangkok, Hong Kong, Singapore. **Price:** Rs. 8,900 + us $40 **Departures:** To be finalised.
Singapore Fling Duration: 9 days	Pattaya, Bangkok, Singapore. **Price:** Rs. 5,940 + us $40 **Departures:** To be finalised

SOTC (Far East sector)

Gold Class Duty Free Orient Duration: 15 days	Pattaya, Bangkok, Hong Kong, Manila, Pagsanjan Falls, Singapore. **Price:** Rs. 10,490 + us $95 **Departures:** Every Saturday.
Gold Class Singapore Holiday Duration: 10 days	Pattaya, Bangkok, Singapore **Price:** Rs. 6,600 + us $50 **Departures:** Every Saturday
Superstar Duty Free Orient Duration: 15 days	Pattaya, Bangkok, Hong Kong, Manila, Singapore. **Price:** Rs. 10,990 + us $95 **Departures:** Every Saturday.
Superstar Singapore Holiday Duration: 10 days	Pattaya, Bangkok, Singapore. **Price:** Rs. 6,990 + us $70 **Departures:** Weekly.
Superstar Japan Holiday Duration: 19 days	Pattaya, Bangkok, Hong Kong, Osaka, Kyoto, Nara, Tokyo, Hakone, Pagsanjan Falls, Manila, Singapore **Price:** Rs. 17,900 + us $300 **Departures:** Weekly.

DINERS WORLD TRAVEL (Far East sector)

Hong Kong Holiday Duration: 10 days	Pattaya, Bangkok, Hong Kong, Singapore. **Price:** Rs. 9,800 + us $50 **Departures:** April 24, May 8, 22, June 5, July 10, August 7, September 4, October 9, 30, November 6, December 25.
Japan Holiday Duration: 18 days	Bangkok, Pattaya, Hong Kong, Tokyo, Kyoto, Osaka, Seoul, Singapore **Price:** Rs. 15,330 + us $300 **Departures:** April 22, May 6, 20, June 3, 8, August 5, September 2, October 7, 28, November 4.
Manila Holiday Duration: 12 days	Bangkok, Pattaya, Hong Kong, Manila, Singapore. **Price:** Rs. 10,945 + us $50 **Departures:** April 21, May 5, 19, June 2, July 7, August 4, September 1, October 6, 27, November 3, December 22, 29.
Singapore Holiday Duration: 8 days	Bangkok, Pattaya, Singapore. **Price:** Rs. 6,595 + us $50 **Departures:** April 21, May 5, 19, June 2, July 7, August 4, September 1, October 6, 27, November 3, December 22, 29.



Punoose: satisfied client

very large percentage of our customers—about 50%—are repeat clients, which speaks for itself. This year, in response to customers' requests, we have arranged for a kitchen car serving Indian food on some of our European tours," says Kavrana.

SATISFACTORY SERVICE

Among the numerous satisfied clients of TCI is Nalini Punoose, a history teacher at the Cathedral & John Connon School, Bombay, who has taken groups of children on TCI's package tours abroad. "I go on tours with the children of my school mainly to increase their awareness of places of historic importance. With school children, who are by and large very obedient and disciplined, it is very important that there is a strict adherence to schedules by the organisers. It is especially very important that meals are served on time and proper sightseeing facilities are provided for. TCI has provided very satisfactory service on all my trips to Europe, Singapore and other places. Even small details such as porterage are looked after by them, which really helps."

With almost all package tour firms offering similar packages on the beaten track, some firms are also offering the more unconventional tourist the chance to tread the untrodden ways. "For example, on our American Spree tour, we have included destinations such as Zion National Park, Bryce Canyon National Park and Scotts Dale, which no other tour firm offers. I think it

TRAVEL CORPORATION (INDIA) PVT. LTD. (Far East sector)

Bangkok, Hong Kong, Manila, Singapore Duration: 13 days	Pattaya, Bangkok, Manila, Pagsanjan Falls, Hong Kong, Singapore. **Price:** Rs. 10,990 + us $70 **Departures:** April 4, 18, May 2, 16, 30, June 13, 27, July 11, 25, August 8, 22, September 5, 19, October 3, 17, 31, November 4, 14, 28, December 12, 19.
Bangkok & Singapore Duration: 9 days	Bangkok, Pattaya, Singapore. **Price:** Rs. 6,690 + us $50 **Departures:** April 11, 25, May 9, 23, June 6, 20, July 4, 18, August 1, 15, 29, September 12, 26, October 10, 24, November 7, 21, December 5, 19, 26.
South-East Asia & Japan Duration. 19 days	Bangkok, Pattaya, Hong Kong, Osaka, Kyoto, Toba, Nagoya, Tokyo, Disneyland, Manila, Pagsanjan Falls, Singapore. **Price:** Rs. 15,990 + us $300 **Departures:** April 12, 26, May 10, 24, June 21, July 5, 19, August 2, 30, September 13, October 4.

would be true to say that over the 27 years that we have been in the travel trade, we have earned a very high reputation in the industry for the quality of our service to clients," says A. Kittur (26), executive (outward bound tours) of Sita Travels (India) Pvt. Ltd.

The opportunity offered by Sita Travels to go off the beaten tourist track persuaded H. Nanjundiah, who retired as the additional chief secretary to the government of Maharashtra in 1985, to opt for Sita's Euro-Russian tour last year. "TCI took us to Moscow, Leningrad, Kiev, Yalta, Riga and last of all Paris. Despite the fact that both my wife and I are vegetarians, we had no problems at all. In fact, in Kiev the local guide actually arranged to have Indian food prepared for us! I was really touched by the warmth of the Russian people. It would have been very nice if we had been given a list of simple words in Russian—we could have tried to make conversation," says Nanjundiah.

The overwhelmingly favourable experiences of tourists who have been on package tours are an indication that the package tour business has come of age. Due to increasing competition and rising costs, higher standards are being set in the hope of building up a loyal clientele—with word-of-mouth publicity being a major influencing factor in this market. Nevertheless, with profit margins thinning to the point of disappearance, not a few package tour operators are also effecting cost savings which could catch a tourist on the wrong foot.

Therefore the first precaution for those contemplating signing on for a package tour abroad would be to peruse the fine print of the benefits offered very carefully. For example, most package tour operators offer only two meals per day and a minority of them may offer only breakfast. Some package tours which may be attractively priced, may involve a number of nights on the road. This enables a tour operator to save on hotel accommodation. Again, package tours do not include the cost of visas, which can add up to a sizeable amount, particularly if the tour covers seven or eight countries.

Also, some of the most widely advertised legs of the tour may require substantial optional extra payment. And some package tours offer a disproportionate time for 'shopping,' which absolves the tour operator of all responsibility. Consequently, choosing a package tour to suit one's budget and preferences requires considerable care and attention.

As we go to press, the Reserve Bank of India has announced that the foreign exchange allowance under the FTS scheme will be restricted to once in three years as against every two years hitherto. This announcement has somewhat dampened spirits in the travel trade. And with foreign travel for pleasure likely to become an increasing rarity as the Union government continues to hamstring exporters and the trade gap widens, there's all the more reason for the tourist to choose his foreign package tour with due forethought and care.

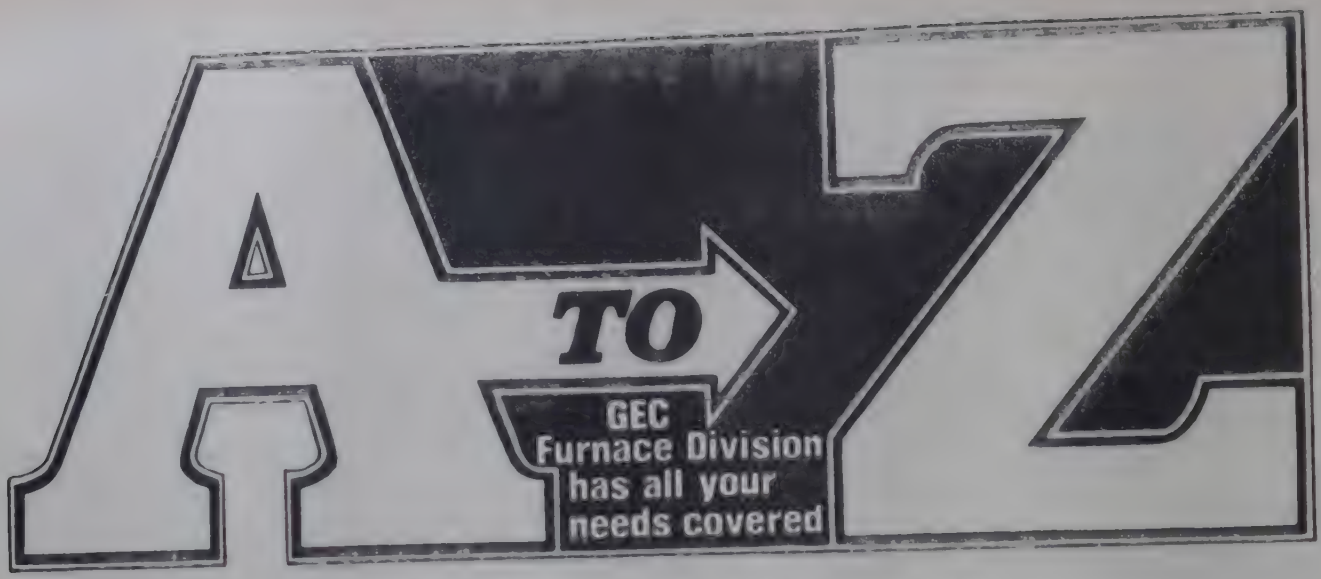
Rama Balasubramaniam

SITA WORLD TRAVEL (INDIA) PVT. LTD. (Far East sector)

Sita Shopping Spree Duration: 9 days	Bangkok, Pattaya, Singapore. **Price:** Rs. 6,400 + US $30 **Departures:** Every Saturday.
Golden Tour Duration: 12 days	Bangkok, Pattaya, Kuala Lumpur, Singapore. **Price:** Rs. 6,690 + US $80 **Departures:** April 17, 24, May 15, 22, June 12, 26, July 10, 24, August 21, September 11, 25, October 9, 16, 30, November 13, 27, December 11, 18, 25.
Pearl Orient Tour Duration: 15 days	Bangkok, Pattaya, Hong Kong, Manila, Singapore. **Price:** Rs. 11,300 + US $130 **Departures:** April 12, 26, May 10, 24, June 14, 28, July 19, August 2, 16, September 13, 27, October 11, 25, November 8, 22, December 13, 27.
Blossom Tour Duration: 17 days	Bangkok, Pattaya, Tokyo, Hakone, Kamakura, Taipei, Singapore. **Price:** Rs. 16,775 + US $220 **Departures:** April 24, May 14, 29, June 19, July 17, August 14, 28, September 18, October 23, November 20.

RAJ TRAVELS & TOURS PVT. LTD. (Far East sector)

South-East Asia Duration: 12 days	Bangkok, Pattaya, Penang, Kuala Lumpur, Singapore. **Price:** Rs. 7,990 + US $72 **Departures:** Every Tuesday from 1-4-1986.
Far East Spectacular Duration: 14 days	Bangkok, Pattaya, Hong Kong, Manila, Singapore. **Price:** Rs. 10,990 + US $95 **Departures:** April 19, 26, May 3, 10, 17, 24, 31, June 7, 21, July 5, 19, August 2, 16, September 6, 20, October 4, 28, November 4, 15, December 6, 20, January ('87) 3.
Royal Orient Duration: 19 days	Bangkok, Pattaya, Hong Kong, Osaka, Nara, Hakone, Kamakura, Tokyo, Nikko, Manila, Singapore. **Price:** Rs. 17,990 + US $275 **Departures:** April 26, May 3, 10, 17, 24, 31, June 7, July 5, August 9, October 28, November 4, 15.



A total choice of melting, heating, heat treatment furnaces and equipment backed by precision engineering from GEC.

Melting & Smelting Furnaces

- Direct Arc Melting Furnaces
- Smelting Furnaces
- Medium Frequency Coreless Induction Melting Furnaces (MEDCOR)
- Normal Frequency Coreless Induction Melting Furnaces (NORCOR)
- Channel Type Mains Frequency Induction Furnaces
- Mains Frequency Core Type Furnaces for non-ferrous metals
- Push-up Furnaces
- Ladle Furnaces

Induction Heating Equipment

- Induction Hardening Equipment for all applications including axle shafts, gears, spindles, pinions, valves, etc. involving Radio Frequency and Medium Frequency Generators
- Radio Frequency Tube Welders
- Induction Billet Heaters
- Solid State Generators to replace MG Sets.

Heat Treatment Furnaces

- General Purpose Box Type Furnaces for 1000°C & 1400°C
- Air Circulation Furnaces for low temperature annealing, tempering and steam annealing
- Gas Carburising Furnaces with fixed and removable retorts
- Pit Type Furnaces for hardening, tempering, malleabilising and annealing
- Circular/Rectangular Bell Type Furnaces for annealing and malleabilising
- Bogie Hearth Furnaces
- Pusher Type Continuous Furnaces
- Sealed Quench Furnaces
- Cast Link Conveyor Furnaces
- Slat Conveyor Furnaces
- Mesh Belt Conveyor Furnaces for annealing, brazing and sintering
- Roller Hearth Furnaces for annealing of tubes and transformer laminations
- Rotary Scroll and Rotary Retort Furnaces for carbonitriding of fasteners
- Grooved Hearth Furnaces with charging machines
- Endo Generators

GEC **Master Furnace Builders to the Nation**

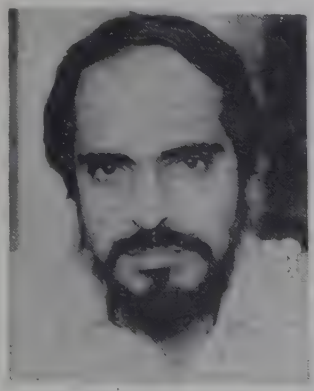
The General Electric Co. of India Limited
Furnace Division
1 Taratolla Road
Calcutta 700 024

C.86-17

TRADE MARK GEC PERMITTED USER—THE GENERAL ELECTRIC COMPANY OF INDIA LIMITED.

Right of rebuttal

DARRYL D'MONTE



The duel of words between Air-India and *India Today* has generated a considerable amount of heat. Apart from the issue at stake—the rights and wrongs arising from the leasing and purchase of some aircraft by the airline—the confrontation also throws some light on how someone nailed by the media has the right to issue a fair explanation.

It is not usual for anyone accused of malpractices by the media to print a rebuttal in newspapers by way of paid advertisements. However, Air-India's management was so incensed at what it thought was an unfair comment that it placed prominent advertisements in no fewer than half a dozen major dailies throughout the land.

"Erroneous statements, juggled dates and events, selective peeps into official files may all make a good story. But if factual data had been obtained by a journal of the standing of *India Today*, the truth would have been obvious. We believe that neither maharajahs, nor the press, should ever claim to be a 'law unto themselves'." Thus spake the maharajah himself.

It is understandable for the Air-India management to feel that the customary letter to the editor would not have had the same impact as the advertisements themselves. In a newspaper itself, a retraction usually appears in a small box, or at the end of a news story, which has nowhere near the impact of the original story. In any case, readers believe—not without some justification—that it is the job of the accused to defend himself in print. Otherwise, in the time-honoured legal precept, "Silence gives consent."

I was made supremely conscious of this fact when I was caught in the imbroglio over the fake "rape in the drive-in" story, which appeared when I was editing the Bombay edition of the *Indian Express* six years ago. The story, written by a staff reporter, had no basis and the scribe had filed it without making even the most perfunctory of checks. He had done so in the erroneous belief that his source was impeccable.

A RETRACTION

The story created a sensation and Mrs. Gandhi asked the Bombay police to trace the culprits immediately. When the reporter was unable to cite the name and address of the alleged victim, the police held a press conference and stated that I had given an "undertaking" that I would publish a retraction if we didn't come up with any hard proof later that week and would give it the same prominence as the original story—a front page box! We did carry an abject apology, though without quite the same splash as the sensational "exposé" which wasn't.

Public memory is proverbially short and the rebuttal doesn't carry the same weight. For instance, I recall, even after we carried the retraction on the Bandra rape victim, who was supposed to have immolated herself, people wrote letters to me, telling me they were firmly convinced that the event had in fact happened and they could quite understand our predicament in not being able to reveal our source! Unfortunately, nothing could be further from the truth in this case...

However, the resort to newspaper advertisement columns directly, bypassing the editor as in the Air-India-*India Today* dispute, is something of a novelty. But it does serve the needs of justice—presuming that the institution had been wronged in the first place. This is why Air-India's cohorts are congratulating the management for taking a firm line on the *India Today* story. In this case, the management of the public sector undertaking was forced to take the issue to the daily newspapers because the alleged offender was a fortnightly. But a piquant situation would have arisen if the offender was a daily itself. Would the refusal of a rival newspaper editor to carry the rebuttal, then, constitute grounds for a complaint before the Press Council, or even a court case?

The rights of an editor are supreme in this context. He may consider it a professional and moral obligation to carry the aggrieved party's views, but the latter can't insist that he do so as a matter of course. The complainant will have to prove his case before the council or a court, however dilatory this may seem. The editor is responsible for everything he publishes—even ads—and he can't be compelled to publish a rebuttal.

This was precisely the point in dispute over Arun Shourie's inflammatory articles on the perfidy of the undivided communist party during the Quit India Movement, which appeared in four issues of the *Illustrated Weekly of India*. The CPM, through its politburo member, M. Basavapunniah, sent two parts of a rejoinder to Pritish Nandy, the editor of the *Weekly*. Nandy published the first part, which was largely rhetoric, and—according to CPM sympathisers—repressed the second. The CPM promptly took the matter to the Press Council, which ruled in Nandy's favour.

TRICKY MATTER

Justice A.N. Grover, chairman of the Press Council, has summed up his own position on such tricky matters: "Generally, it is within the discretion of the editor whether or not a rejoinder is published. But we do make a distinction between facts and comment. If it is a case of news being distorted or not being factual, any contradiction must be published. In the case of comment, it is not so. But again, if any comment is based on wrong facts and if it relates to an individual's personal character or his public achievements, then the editor should normally take heed."

It is difficult to rigidly lay down what the correct procedure is in such circumstances. Perhaps only a stricter law penalising editors for publishing falsehoods will remove the sense of being wronged that many individuals and institutions feel in relation to the press. At the same time, the laws must be so framed that they don't unduly harass editors and proprietors. The Press Council's functioning as a watchdog can also be made more rigorous—specially by encouraging it to look into disputes on its own, without waiting for complaints.

As for the right of redress through paid insertions in the newspapers, the objective of fairness is tempered by hard economics. Only the financially powerful have access to such recourse. Imagine a situation—one that is quite familiar in fact—in which a company is faced by a strike and puts out advertisements explaining its point of view. Obviously, the union doesn't have the same resources at its disposal and is thus deprived of this "right."

In the final analysis, therefore, it is impossible to lay down any hard and fast rules regarding the right to rebut. All that one can safely say is that editors must exercise their discretion with a supreme sense of fair play. Equally, an aggrieved party should—as a rule—seek recourse through the Press Council or courts, rather than "trail by column inches."

Mangalore Chemicals' green vistas

By N. RAGHAVAN

At one time regarded as the basket case of the indigenous fertiliser industry, the joint sector MCF has engineered a remarkable turnaround. The dramatic recovery of lost ground by the company provides an object lesson of the efficacy of back-to-basics management.

Located just outside the perimeter of the coastal town of Mangalore (Karnataka), the long troubled joint sector Mangalore Chemicals & Fertilisers Ltd (MCF) has rarely found mention in the national press. And on the few occasions that it has, it has been for the least complimentary of reasons: staggering losses, labour trouble, breakdowns, *et al*. Yet, when the company's board of directors drew up the balance sheet for its 10th anniversary year (1985) in the last week of March, the unaudited results were startling: a pre-tax profit of Rs. 5 crores on a sales turnover of Rs. 165 crores; and capacity utilisation in its ammonia plant over 90% and in its urea plant over 100%!

At a time when the country expends a staggering Rs. 1,450 crores per annum on an average on the import of nitrogenous and phosphatic fertilisers, at least in part because capacity utilisation within the indigenous fertiliser manufacturing industry is woefully low at below 70%, MCF's capacity utilisation performance is remarkable. It is also testimony to the dramatic turnaround of the company that chief executive A.B. Datar and his team have wrought in recent years.

Long plagued by power shortages, labour unrest, all-too-frequent plant and equipment breakdowns, quick changes in top management and the flight of trained personnel, MCF seemed to be rolling towards the edge of the precipice until Datar took over as chairman and managing director of the joint sector company in 1982 and effected a sharp change in direction. By 1980, the accumulated losses of the company at Rs. 17.52 crores far exceeded the paid-up capital of Rs. 15.62 crores. And just what the investor community thought of the company was indicated by the fact that at one stage in June 1982, the company's Rs. 10 equity share was quoted at Rs. 7.50 on the Madras stock exchange. Not surprisingly, the company's image among the public, government and financial institutions

MCF's plant in Mangalore: rolling towards the precipice until a sharp change in direction





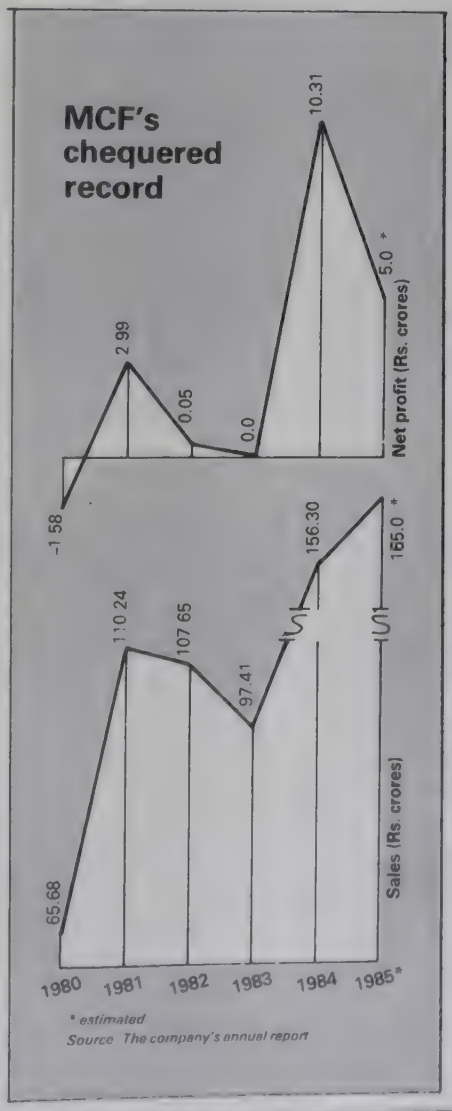
Datar: justifiably proud of team's track record

was far from positive.

This dismal scenario, however, began to change gradually during the last four years as a consequence of a series of decisive moves by Datar and his team. By early 1985, the many technical problems that had plagued the plant had been overcome, labour relations were put on a more even keel, and not the least of all, a massive captive power plant was erected, which is expected to make the fertiliser complex fairly self-sufficient in power in a couple of months.

A commerce and law graduate of Bombay and Karnataka universities and a senior officer of the IAS cadre who was deputed to take charge of MCF as chairman and managing director at a time when the shareholders of the company seemed to be on the point of despair, Datar (56) is justifiably proud of his team's track record. "The chronic problem of power shortages has been effectively tackled with the installation of a captive power plant of 39 Mw capacity. Industrial relations are now cordial to the extent there has not been a single day's stoppage of work during the last four years. Various technical modifications have been carried out whereby the ammonia plant is now able to operate consistently at 93% of installed capacity and the urea plant at 105%, subject to the availability of adequate power. We are also tackling the water shortage problem in a systematic way," he says.

Consequently, it is hardly a matter of surprise that the company has been consistently in the black since 1982. "Inspite of high inventories and poor offtake of fertilisers because of the failure of the monsoon in large parts of the country, and some setback in the implementation



schedule of our di-ammonium phosphate project — the first major diversification of the company — the results for 1985 are likely to be fairly satisfactory," says Datar.

The accounts for the year ended 31st December 1985 are still under audit, but it is tentatively estimated that pre-tax profit after providing for depreciation and interest will be around Rs. 5 crores. Though far less than the Rs. 11.54 crores achieved in 1984, it will nevertheless suffice to wipe off the balance accumulated loss of Rs. 4.16 crores and 25% of the miscellaneous expenditures. The company may even be in a position to declare a dividend, for the first time in its history, in its year ended 1986. This is an event that should certainly bring some cheer to its long suffering shareholders.

TORTUOUS ORIGINS

Viewed against the background of its tortuous origins and the clumsy and shortsighted manner in which the Union and state governments have dealt with the massive (gross block: Rs. 77.63 crores) project, the 10 years it has taken MCF to be in a position to post its first dividend is not excessively long. Incorporated in 1966 as a private limited company under the name and style of Malabar Chemicals & Fertilisers Pvt. Ltd. (MCFPL) in New Delhi, MCF has been dogged by misfortune from the very beginning. The original promoters of this forerunner company were the Dugal brothers, a Delhi-based family which was engaged in the construction business.

Sometime in 1966, one of the brothers, Dr. G.S. Dugal, negotiated a collaboration agreement to construct a complex fertiliser (i.e. a fertiliser that contains more than one nutrient element such as potassium phosphate, which contains both potassium and phosphorus) plant in Karnataka with a Bahamas-based company, International Development & Investment Co. Ltd. (IDIC), which had also agreed to subscribe to the company's equity.

However, the Dugals were unable to raise the Rs. 56 crores that was needed to promote the company, and therefore they sought a less expensive project proposal. The result of this quest was another technical and financial partnership, this time with two overseas companies — Stamicarbon NV, Netherlands, and Humphreys & Glasgow Ltd., UK. This collaboration was approved by the Union government and on the advice of Stamicarbon and Humphreys & Glasgow, the project was programmed to be set up in two phases: an ammonia plant of 600 tonnes per day (tpd) capacity and a urea plant of 1,000 tpd in the

first phase; and a complex fertiliser plant in the second. The project cost was estimated at Rs. 33.3 crores, including a foreign exchange component of Rs. 20.30 crores.

Unfortunately, the Dugal brothers, then in trouble with the tax authorities, had to withdraw as promoters in 1969, leaving the state government to hold the baby as it were. The government tried to interest some big business houses in the project, but failed. Ultimately it had to rope in the Karnataka State Marketing Cooperative Federation and the Agro Industries Corporation Ltd. to subscribe



MCF's ammonia plant. Inset: Peeran

to the equity, in return for the distribution rights of the fertiliser produced. Rallis India Ltd. — one of the biggest names in the country in the fertiliser distribution and marketing business — was also brought in with a similar inducement.

PRICE REVISION

However, over three years had been lost in the process of promoting the project and Humphreys & Glasgow, which was to supply the equipment for the plant, demanded a revision in prices because of the delay in the execution of the project. The Union government rejected the demand and instead asked MCFPL to invite fresh offers. The field was however arbitrarily and inexplicably restricted to three British companies. Only two responded. One of them was Humphreys & Glasgow, which offered to set up a 660 tpd ammonia plant and a 1,030 tpd urea plant at a cost of Rs. 57.20 crores.

This offer was accepted by the Union government primarily because the British government offered to part-finance the project. Of the foreign exchange component of Rs. 20.85 crores, the overseas development ministry of the British government agreed to contribute Rs. 20.2 crores, and the government of Netherlands agreed to chip in with Rs. 65 lakhs. However, the compromise on price with Humphreys & Glasgow and, more importantly, the restriction on invitations to only British firms to build the plant, was to cost MCFPL dearly.

Comments S.A. Peeran (37), a chemistry postgraduate of Bangalore university who as executive assistant to the chairman and managing director has an intimate knowledge of the company's troubled history: "Humphreys & Glasgow gave us a plant which is supposed to have an installed capacity of 660 tpd, but the plant has never produced to this capacity on a sustained basis. As a consequence, the retention price which governs a fertiliser company's post-tax returns came to be fixed at 80% of 660 tpd rather than the lower — and actual — level of 600 tpd. Also, the government restriction on the offer of bids for building the plant, confining them to three British firms, effectively blocked the company from obtaining the best by way of technology. This subsequently led to enormous teething problems in the plant, besides delaying its commissioning by a year. The plant took a long time to stabilise, with performance far below rated capacity during the first three years."

Be that as it may, in August 1971, the company's name was changed to Mangalore Chemicals & Fertilisers Ltd. and its registered office was shifted to Bangalore. In 1972, Indian financial institutions and commercial banks agreed to part-finance the project whose cost was then estimated at Rs. 57.50 crores — comprising Rs. 42 crores as term loans and Rs. 15.50 crores to be raised from the promoters and the public through equity and preference shares. The equity issue (of Rs. 7.30 crores), when it came into the market in November 1972, was oversubscribed by 10%, while the preference issue (of Rs. 1.50 crores) was fully subscribed. Today, of the paid-up capital of Rs. 15.41 crores, 38.92% is held by Karnataka state institutional agencies; 28.63% by the public; 25.1% by national financial institutions; and the rest by commercial banks, insurance companies and cooperatives.

SPRAWLING FACILITY

In March 1976, both the ammonia and urea plants, located in a sprawling 165-acre facility in Penambur, 9 km north of Mangalore, went on stream — three and a half years after construction had commenced in 1972. The ammonia plant uses naphtha as feedstock and is based on the ICI steam reforming process; the urea plant employs the carbon dioxide stripping process developed by Stamicarbon, Netherlands.

Significantly, as a result of delays in the supply of plant and equipment, and increase in interest rates, cost of cement, aluminium and labour, the project cost finally went up to a staggering Rs. 75 crores as against the original estimate of Rs. 57.20 crores. Records a former chairman of MCF, P.A. Narielwala, writing in a publicity brochure entitled 'MCF — a dedication feature' released in 1976: "The project as conceived by the first promoters (Dugal brothers) was basically a sound one... Unfortunately it did not receive adequate support either from the government of India or the financial institutions and banks, foreign suppliers from USAID... Had even the modified offer of Humphreys & Glasgow been promptly accepted and energetically pursued, MCF would have saved a substantial sum before its investment costs were inflated by the global inflation of 1973-74."

The global inflation of the early seventies was fuelled by the OPEC-led crude oil price explosion which led to a four-fold increase in the price of petroleum products — the basic raw material of the inorganic fertiliser industry. Yet, what made matters worse for MCF was the government's then fertiliser pricing policy. Until 1966, there

were no restrictions on the pricing and sales of fertilisers. In 1966, urea was brought within the ambit of the Essential Commodities Act and its retail price was fixed at a cost plus level which was computed as an average of the costs of production of all the fertiliser plants then in existence. The petroleum price hike and the all round inflation that followed made it virtually impossible for newer fertiliser companies such as SPIC and MCF to break even, as their investment per unit of output was much higher.

Slightly older southern-based plants such as those of Madras Fertilisers Ltd. and Coromandel Fertilisers were not as badly hit since they were producing limited quantities of urea or none at all, concentrating mainly on NPK (nitrogen-phosphorus-potash) complexes, the prices of which were not controlled. In 1976, when MCF was commissioned, its cost of production of urea was much higher than the permitted selling price. However, the situation improved somewhat when, in 1977, the Union government accepted the Marathe Committee's recommendations to peg the retention price of fertilisers at a variable level, which would permit each fertiliser company to earn a post-tax return of 12% on net worth, provided it operated at the stipulated capacity utilisation level of 80% and followed prescribed norms regarding raw materials, power consumption and maintenance.

STRESS ON EFFICIENCY

This scheme ensures that the profitability of a company is based on its net worth, capacity utilisation and cost control on overheads. If a plant, for instance, manages to produce ammonia at 90% of installed capacity without any escalations in overheads, then its per tonne profit increases. In other words, the stress was on efficiency.

While the scheme came as a relief to other urea manufacturing companies, MCF benefited only marginally because its capacity utilisation was hampered by the design inadequacies of the plant which was also extremely power intensive. Both the ammonia and urea units of the company were basically designed to utilise electric drives. The total power requirement of the plant is 32 Mw as against 12-15 Mw for similar plants of Zuari Agro and Madras Fertiliser, the major drives of which are steam driven.

Ironically, a prime reason for locating the plant in Karnataka was because at that time power was both cheap — at 38 paise per unit — and abundant in this state. But by the time the MCF plant went on stream in 1976, the state had turned from a power surplus to a chronically power deficient one, with the gap between demand and supply showing every sign of widening further and the price of power had almost doubled to 58 paise per unit.

Unlike the fertiliser plants now being commissioned, no provision was made for captive power generation systems earlier. And to compound the problem of power shortages, capacity utilisation suffered on account of technical snags as well. In 1976, the overall capacity utilisation was a mere 19.8% of its rated capacity. However, capacity utilisation improved to a more respectable 45% in the second, and to 68.3% in the third year.



Keshavamurthy: equipment failure battles

Consequently, the company made a huge loss of Rs. 13.34 crores in its first nine month operative 'year.'

PREMATURE AGEING

This loss was brought down to Rs. 9.02 crores in the second year of operations in 1977. And with better capacity utilisation, the company made a profit — a modest Rs. 2.42 crores — for the first time in 1978. However, erratic power supply from the state grid and voltage fluctuations have damaged the plant, ageing it prematurely — as Datar puts it — besides raising the cost of maintenance and the rate of consumption of inputs. Power cuts, which have become endemic in Karnataka, have directly and indirectly led to shutdowns of the plant for an average three months every year. The loss in production due to power cuts and supply fluctuations and the consequent equipment failure is estimated at a staggering 6.42 lakh tonnes since the plant was commissioned in 1976.

The power problem apart, the company's technical personnel had to battle frequent equipment failure. Observes G.S. Keshavamurthy (52), a chemical engineering graduate of Madras university and the company's resident director in Mangalore: "In the early years, there was no systematic approach to identify the technical snags and take corrective measures to improve the plant's performance. Boilers, centrifugal compressors, HT motors, critical exchangers, high pressure valves and pumps were all defective; some had to be modified,



Ramanna: labour exodus

others replaced. The technical staff was apprehensive of operating the plant. Materials management was in total chaos. The company had no credibility with agencies such as the pollution control board, the factory inspectorate, and the water and electricity supply authorities. Employee morale was low."

Executive director S. Ramanna (60), a chemical engineering graduate of Mysore university, points to two other factors which resulted in the plant's poor performance: "In 1981, production suffered on account of a strike lasting some 28 days, essentially over the issue of absorption of contract labourers. In the next two years, a sizeable number of our trained technical staff left in search of greener pastures in West Asia. In 1983, the plant had to be shut down for five weeks following an unprecedented shortfall in water supply from the Karnataka Water Supply & Sewerage Board. But of course the biggest prob-

Fertilisers: missed opportunities

By developed nations' standards, India is a pigmy in respect of levels of fertiliser consumption. In fiscal 1985-86, Indian farmers used 9.2 million tonnes of fertiliser to raise a crop of an estimated 156 million tonnes of foodgrains on approximately 150 million hectares of arable land. On the other hand, farmers in the US used 21 million tonnes of fertiliser in 1984 (the latest year for which such statistics are available) to grow over 360 million tonnes of foodgrains on 184 million hectares of arable land. In respect to the intensity of fertiliser use as well, India is a laggard with a maximum of 120 kg/hectare in the Punjab and Haryana *cf.* over 960 kg/hectare in the Netherlands.

Nonetheless, India is the world's fourth largest producer of fertiliser (in 1985-86 production was estimated at 4.7 million tonnes) after the US, China and the Soviet Union. Though the country produced a mere 3.6% of the aggregate global production of 129 million tonnes of fertiliser in 1985-86, it can boast of a relatively well developed fertiliser industry that produces the full range of fertilisers in use today.

Phenomenal growth. In 1985, over 125 fertiliser manufacturing units representing a gross investment of Rs. 5,100 crores were operational across the country. Together they produced the equivalent of 3.9 million tonnes of nitrogen and 1.3 million tonnes of phosphorous as well as smaller quantities of other nutrients. Compared to the almost miserable production of 9,000 tonnes of nitrogenous and 78,000 tonnes of phosphatic fertilisers in 1951-52, current levels of production represent a phenomenal growth at a rate averaging over 20% per annum.

Yet, when viewed against the background of the fact that the country imported an average of two million tonnes of fertilisers per annum valued at over Rs. 700 crores during the Sixth Plan period, the development of the indigenous fertiliser industry leaves much to be desired. In 1985-86, India imported a whopping 4.5 million tonnes of fertilisers, valued at a staggering Rs. 1,450 crores. This figure is projected to increase to over Rs. 2,500 crores (at 1985 prices) in 1989-90.

Though fertiliser imports are undoubtedly preferable both financially and politically to foodgrain imports, the fact that India's fertiliser industry has averaged a capacity utilisation of only 70% over the Sixth Plan period is indicative of a serious malaise in this critical industry, which needs urgent correction.

Enough scope. Though capacity utilisation levels have improved somewhat to 74% in the nitrogenous fertiliser industry and 89% in the phosphatic fertiliser industry in 1985-86 (75% for the industry as a whole) as a consequence of improved power availability, there is little doubt that there is enough scope to push capacity utilisation levels to the theoretical 100% limit. Several units in both the cooperative and private sectors have achieved consistent 100% utilisation levels in the past, such as the GNFC and IFFCO, and public sector units — which tend to be relatively less efficient — could also do likewise.

However, in most cases, improved capacity utilisation levels can only be achieved if captive power is available. But installing and using such a source of power increases costs to uneconomic levels, particularly for new plants. Given the fact that the prices of most varieties of nitrogenous and phosphatic fertilisers are controlled by the government, even plants that work at 90% of rated capacity and that use only captive power will not be able to generate an acceptable level of profit on capital employed.

Admittedly, the policy of pegging retention prices to net worth and capacity utilisation levels that the government ushered in 1982, partially offsets the problem of the low profitability of new plants. But this is inadequate and till such time as the fertiliser industry is released from the stranglehold of price controls, the incentives to new investments will remain low.

The exchequer expends a massive Rs. 1,200 crores annually on subsidising fertiliser prices in order to keep consumption high, but it is arguable that deregulating the industry will not only eliminate the need for subsidies, but will also unleash competition and thereby hold the price level as well.

lem was power — or rather the lack of it. Now, with the purchase of captive generators, both the urea and ammonia plants are expected to operate at full load in another two or three months."

All this is a far cry from the time in 1982 when Datar was pulled out of the state's administrative cadre and given the brief to ensure that industrial peace returned to Penambur; to restore the financial institutions' faith in the company; and to set about solving the company's chronic power shortage problem by installing captive power generation capacity.

OBJECTIVE ATTAINED

Not only have Datar and his team substantially attained these objectives, but Datar's comprehensive turnaround plan has also included the installation of a salt-water pumping station, thereby reducing its dependence on the state water supply board to the extent of one million gallons per day (the plant requires four million gallons of water daily). Additionally, a water storage reservoir of 50 million gallons capacity is now being built to take care of the plant's requirements during the lean summer months.

There have been other developments as well. Materials management, for instance, has been streamlined and quality control circles introduced, presumably for the first time in the fertiliser industry in the country. The plant's store, which stocks some 27,000 items, has been reorganised and is currently rated among the most organised in the industry. Electric capacitor banks to better store and utilise the energy from the state grid have been set up, and a dormant air separator unit has been revived for producing liquid nitrogen, which is used in the manufacture of ammonia.

But among the measures which have played a major role in reviving MCF, better labour management must occupy pride of place. Once plagued by chronic labour discord, the MCF management has now succeeded in establishing a better rapport with its 925 workmen. Comments personnel manager Lawrence D'Costa (42), a postgraduate in personnel management from the Tata Institute of Social Sciences, Bombay, and a law graduate of Bangalore university: "Industrial relations have improved considerably over the last four years. The vexatious issue of contract labour has at long last been resolved. We have arrived at an agreement with the unions to absorb some 45 contract labourers and to fill suitable vacancies in the future with contract labour. Regular meetings between management and union representatives have also helped us to understand each other better. In these dialogues, top

management, including the resident director and the chairman, are actively involved."

Nevertheless, there may be some trouble ahead with the three year wage agreement coming to an end and a split in the ranks of the INTUC-affiliated MCF Workers Union. Rapid-fire changes at the top management level have also had their impact on the fortunes of the company. Since 1976, the company has had three chairmen, four managing directors and two chairmen-cum-managing directors (CMDS). The first CMD, P.R. Nayak, who is currently the additional chief secretary to the government of Karnataka, held office for less than a year and a half. He was succeeded in March 1982 by Datar, who had been peripherally associated with the company since the conception of the project. Datar, by virtue of a relatively longer innings in office, has contributed in no mean measure to the company's turnaround.

In 1984, which was admittedly a good year for the entire fertiliser industry, MCF recorded the highest ever profit after depreciation and interest of Rs. 11.54 crores, which substantially reduced the company's accumulated loss from Rs. 14.46 crores to Rs. 4.16 crores. However, what detracts from the merit of this performance is the fact that the company could have put up a better show quite a few years earlier, if only it had not vacillated on the critical issue of installing a captive power generation system.

MAJOR HEADACHE

While it was realised as far back as 1979 that power supply from the state grid was going to be a major headache, the company top brass took an unusually long time considering and reconsidering the various technological options open to it, such as steam turbines, gas turbines and diesel generating sets. Comments T.V. Rajagopalan (52), a chemical engineering graduate of Annamalai university and MCF's general manager (development and technical services): "The idea of steam turbines to power a captive power generation system had to be given up because of the heavy investment outlay necessary and the long gestation period. The next option, gas turbines, would have been an ideal choice since a French company had made us an attractive offer to supply these turbines and the gestation time was also relatively short. But then the Union government's fuel policy did not permit the import of lighter fuels such as naphtha or light diesel, which are required to run the turbine. Finally, we had to settle for diesel engines operating on heavy fuel or LSHS."

In 1985-86, six captive generators, each of 6.5 Mw capacity bought from Oy Wartsila, Finland at a cost of Rs. 23 crores — funded mainly by the IDBI — were installed. With five units now operational — the sixth is a standby — the vital ammonia plant is kept going. "Without the generators we would have had to shut down the plant by December last year because of a steep seasonal fall in power supply from the state electricity board. Incidentally, MCF's is the only power-intensive plant in the country to have installed such high capacity dieselised power generation sets capable of continuous running on heavy fuel," observes Rajagopalan.

Meanwhile, plans are afoot to buy two more captive power generators of the same capacity so that the entire plant, including the proposed unit to manufacture di-ammonium phosphate, is powered by captive sources. A waste heat recovery system that is likely to sharply reduce the annual fuel bill is also being installed. An automated purge gas recovery unit for increasing the efficiency of the ammonia and urea plants has been set up at a cost of Rs. 2.5 crores, with technology from Air Liquide, France. And an ammonium bi-carbonate (ABC) plant was installed in July 1982 at a cost of Rs. 50 lakhs. A successful venture, the plant today produces ABC — used in the food processing industry — at the rate of 12 tonnes per day. The capacity is scheduled to be increased from 3,600 tonnes per annum to 10,000 tonnes by mid-1987.



Rajagopalan: power intensive plant

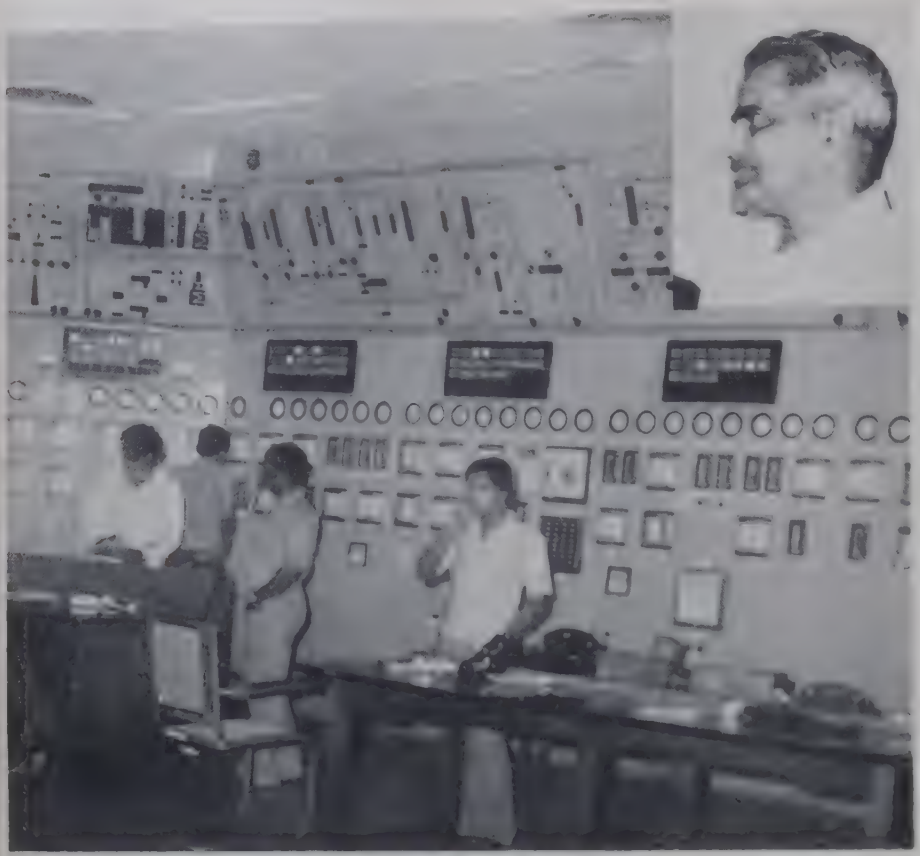
In pointed contrast, the move to establish a di-ammonium phosphate (a complex fertiliser) plant with a capacity of 1.5 lakh tonnes per annum at an estimated cost of Rs. 26.23 crores has run into rough weather, primarily because of the wrong choice of technology. In January 1983, the company entered into a contract with Toyo Engineering Corporation, Japan to build the plant based on a "sophisticated process" which was still at an experimental stage in Japan itself. This choice was presumably made because the offer was cheap and the proposed erection time short.

The plant was ready for trial production in November 1984, but at this point a number of problems were encountered in start-up operations before it was realised that the process employed simply would not work. After protracted negotiations, Toyo Engineering agreed to instal "free of cost" a new plant using a conventional process, besides providing the software to revamp the ammonia and urea plants so that their operational capacities would be upgraded to 110% and 130% of design capacity respectively. The new di-ammonium phosphate (DAP) plant of 500 tpd capacity is expected to be commissioned by the end of this year. The revised cost is estimated at Rs. 35 crores.

NO USE

In the meanwhile, a terminal capable of storing 10,000 tonnes of liquid ammonia, meant essentially for the now delayed DAP plant, has been built at the Mangalore port at a cost of Rs. 6 crores. But with its entire production of 2.17 lakh tonnes of ammonia being utilised in-house for the manufacture of urea, MCF obviously has no use for this terminal at present. Nevertheless, the facility has come in handy for other companies such as FACT Ltd. and EID Parry Ltd. Until its ambitious diversification plans, which are now on the anvil, bear fruit, MCF will have to continue to bank on urea sales for its survival.

The company markets the urea it produces under the brand name Mangala. It also distributes imported urea under the brand name Sumangala. Sales of Mangala are restricted (by the Union government) to a 500 km radius of the plant's location — the so-called economic zone for the movement of fertilisers. MCF's zone covers Karnataka, parts of Maharashtra, Andhra Pradesh, Tamil Nadu and Kerala. Imported fertilisers, which include urea and DAP, are mostly marketed in Madhya Pradesh, Uttar Pradesh, Maharashtra, Haryana and Punjab, where offtake exceeds production. As much as 67% of MCF's sales is effected through retail dealers and the rest



Control room in ammonia and urea plant. Inset: Prasad

through bulk marketing agencies and agricultural cooperatives.

In 1981, Rallis India Ltd. ceased to be a distributor, thereby increasing the quantum of direct sales by the company. MCF has also been distributing imported fertiliser on a commission basis from 1978 at an average three lakh tonnes per annum. In 1982-83, however, the Union government — which allocates imported fertiliser to individual companies for distribution — was persuaded by the company to increase its quota of imports. As a result, the company distributed 5.59 lakh tonnes of imported fertiliser in 1984, which is more than double its own production of 2.31 lakh tonnes in 1984. Sales of imported fertiliser have however declined to 4.75 lakh tonnes in 1985.

The company's top brass is chary of divulging the proportion of profits derived from the distribution of imported fertiliser, fuelling the suspicion that the company's dramatic turnaround in financial performance may not be entirely due to good management. In 1985, according to company sources, sales of imported fertiliser contributed 68% of the aggregate sales turnover of the company. The possibility cannot be ruled out that imports contributed as much to the company's vastly improved bottom line. According to Datar, however, sales of imported fertiliser may cease to be as lucrative a proposition as they are now, as the Union government is considering a reduction in handling costs by 25%-30%.

MCF's overall sales in physical terms during the last 12 months have declined as a consequence of the lower quantum of imported fertiliser distributed, though to be fair, 1985 has been a bad year for other southern fertiliser manufacturing companies as well. "The market has been sluggish because of a drought in Karnataka and parts of Andhra Pradesh. At the same time, there is a glut in the market on account of excessive imports and this has resulted in cut-throat competition and sales at heavy discounts and on credit. The interest burden, inventory carrying costs and outgo by way of hefty margins to dealers, have all contributed to the erosion of the company's profitability," says MCF's finance director A.K. Srinivasa Prasad (59), a chartered accountant by training.

GREATER DIALOGUE

The large quantum of imports last year has further accentuated the problem, says Datar, who emphasises the need to restrict the import of fertiliser to building a buffer stock. He argues, not without a touch of despair, that there should be greater dialogue between representatives of the fertiliser industry and the Union government so that the demand,

How MCF compares

	Year ended	Net sales (Rs. crores)	Gross profit (Rs. crores)	Return on total capital employed (%)	Total liabilities / net worth (%)
Southern Petrochemical Industries Corp. Ltd.	31.12.84	503.33	53.72	22.37	299
Gujarat Narmada Valley Fertilisers Co. Ltd.	30.6.85	230.47	101.13	15.68	222
Mangalore Chemicals & Fertilisers Ltd.	31.12.84	156.30	24.17	21.65	464
Zuari Agro Chemicals Ltd.	31.12.84	151.43	23.77	18.49	106
Coromandel Fertilisers Ltd.	31.3.85	129.20	22.10	10.55	186

Source: The Stock Exchange Official Directory

supply and the quantum of imports to bridge the gap can be more accurately estimated.

According to V.K. Chinmulgund (57), an agricultural sciences graduate of Bombay university and currently director (marketing) of MCF, estimates of fertiliser consumption in each state are drawn up by the respective state governments and the overall demand is computed by the Union government based on state level estimates. "However, the estimates made by the states tend to be exaggerated since they are usually pegged 10%-15% higher than the peak demand level of the previous five years. This results in heavy imports, often leading to a glut in the market,as is being witnessed currently. The drought has been another contributory factor. In the circumstances we have no choice but to sell at hefty discounts to dealers. While the Union government has prescribed a dealer margin ranging between Rs. 130 and Rs. 150, we are forced to give our dealers a margin of Rs. 460 per tonne inclusive of credit," he says.

MCF's market share in Karnataka, which accounted for 44% of its aggregate sales in 1984, is around 40% now. Efforts are on to increase it to 60%-80% of its entire output. The strategy, according to Chinmulgund, is to concentrate on raising fertiliser consumption in dry-land areas which account for 80% of the total cultivated area in the state, which ranks seventh in India in overall fertiliser consumption.

SKEWED PATTERN

The average per acre consumption in Karnataka is 48 kg *cf.* 120 kg in Punjab and Haryana. The consumption pattern is also skewed: 60% of it is concentrated in just five irrigated districts. "Obviously, the scope for increasing fertiliser sales in these districts is limited. We are therefore trying to reach out to the interior districts, which are relatively more drought prone, by stocking fertiliser in sufficient quantities before the onset of the monsoon. We will do this in select villages in each district at our own risk. The cost of transporting the fertiliser will however be borne by the state government," says Chinmulgund.

That the company needs to gear up its marketing effort in Karnataka, its prime market, cannot be overemphasised in view of the increasing competition from other fertiliser units in the south, for which the state of Karnataka is an economic marketing zone. But, with the twin long-standing problems of power and water supply now solved, MCF's production is slated to go up sharply and profits are likely to increase commensurately.

Indeed, so confident is the top management team that the future is going to be as bright as can be, that it is in the process of drawing up a massive Rs. 500 crore diversification plan which envisages the production of a host of petrochemical products including linear alkyl benzene, used in the manufacture of detergents; nitric acid and nitrates; fine chemicals such as citric acid and hydrogen peroxide; and some intermediate chemicals used in the manufacture of synthetic fibres.

Says Datar: "The outlook for the coming years is promising. We intend to instal two more generators so that the entire plant — including the di-ammonium phosphate plant — can be totally insulated from the grid. We are also planning to double the capacity of our ammonium bi-carbonate plant. Since the main ammonia and urea plants have aged prematurely because of power problems, we have to undertake a major debottlenecking and revamping of the plant. This will also enable us to increase our ammonia and urea manufacturing capacity by 25%-30%. In addition, we also have some major diversification programmes on the anvil,particularly into non-fertiliser fields. The establishment of a refinery at Mangalore opens up the possibility of our manufacturing a range of downstream petrochemical products. We have already submitted our application for a letter of intent to manufacture 1.5 lakh tonnes per annum of purified terephthalic acid, at an estimated cost of Rs. 160 crores."

GROWTH TRAJECTORY

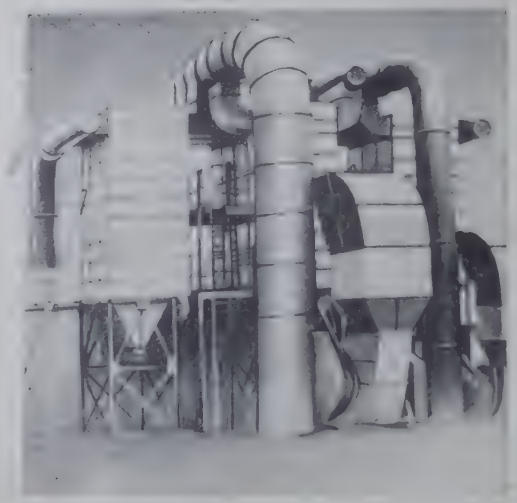
How these ambitious modernisation and diversification plans will be financed is as yet unclear, particularly because the company has no surpluses to dip into. But there is little doubt that MCF has come a long way since those early days when its fate hung in the balance. According to more than a few managers within the indigenous fertiliser industry, the company is now set on a trajectory of rapid growth, and if its diversification plans materialise, higher profitability will follow as well.

Thus, for the company's shareholders who had at one point witnessed share prices dropping to a below par level, the prospect of a rapid appreciation in share values — currently (10th April) quoted at a not unimpressive Rs. 60 per share on the Bombay stock exchange — is in sight. But in the final analysis, the dramatic turnaround in MCF is an object lesson in how relatively simple management systems and techniques, applied rigorously, can make even the most inefficient public sector company an asset for the citizen. BW

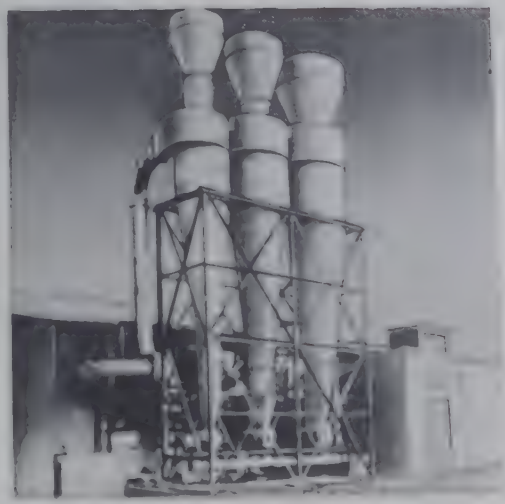


Chinmulgund: adverse impact of imports on profitability

ACCO-DCE, ACCO-Lodge Cottrell and ACCO-Venti strive to eliminate air pollution







PULSE JET CASED FILTERS

Pulse jet fabric filters are designed to filter heavy duty dust burdens continuously at a high filtration velocity and constant level of resistance with a collection efficiency often exceeding 99.99%. Air volume capacities range from 2500m³/hr to more than 3,00,000 m³/hr. These multi-module filters are based on two module sizes containing 10m² and 15m² fabric area respectively. Modules are assembled in banks and tiers to match precisely the filter capacity and configuration required. The flat shaped design of the filter elements make the equipment extremely compact and saves valuable space.

ACCO has collaborated with the DCE Group Limited of U.K. to arrest dust for pollution control and process recovery. Typical process applications are: asbestos, bauxite, cement, ceramics, cereals, chemicals, coal, detergents, fertilizers, flour, foodstuffs, foundries, glass, graphite, insecticides, iron & steel, metal compounds, minerals, pharmaceuticals, pigments, plastics, sugar, tobacco etc

ELECTROSTATIC PRECIPITATORS

Electrostatic Precipitation is the most versatile method of dust collection. Where the highest possible efficiency is required at low operating cost, where larger gas volumes have to be treated or where conditions are difficult the Electrostatic Precipitator has many outstanding advantages and is frequently the logical long-term solution. Lodge Cottrell has become synonymous with the most efficient dust collection technology. ACCO's holding Company, Orient Paper & Industries Ltd has technical collaboration with Lodge Cottrell Ltd U.K. for manufacture of Electrostatic Precipitators, for which the marketing and after sales service is being handled by ACCO

Power stations, Chemical plants, Coal and Gas beneficiation plants, Steel and Cement plants are the major users of Electrostatic Precipitators

CYCLONE SEPARATORS

These provide a good and economical solution to dust problems where (a) the particle size dust is relatively large (b) the dust and the carrying air are rather dry (c) it is not necessary to obtain very high collecting efficiency. The Cyclone Separator has tangential inlet which gives the dusty air a rotating movement whereby the dust particles are screwed down to the dust discharge

In collaboration with Ventilatorenfabrik Oelde GmbH, West Germany, ACCO manufactures Cyclone Separators, Wet Scrubbers, Mobile Dust Collectors and Centrifugal Fans having capacity upto 4,00,000 m³/hr and pressure upto 280 cm w.g.

The ACCO range of fans are ideal for ventilation and dust extraction plants in all kinds of industry, such as Cement, Chemical, Steel, Fertilizer, Coal, Foundries, Boilers etc.



Acco **CLEAN AIR IS OUR BUSINESS**

Environmental pollution is one of the major problems faced by the world today. ACCO, with its collaborators, strives to keep the air clean and pure to make the world a better place to breathe in.

For further enquiries contact:

AIR CONDITIONING CORPORATION LTD.

17, Taratolla Road, Calcutta 700 088 Phones: 77-2381, 77-2433, 77-2530, 77-2634, 77-1594 **Bombay** : Elphinstone Building, 10 Vir Nariman Road, Bombay 400 023. Phones: 2040896/7/8, 2044519/20 **New Delhi** : D-1 Green Park, New Delhi 110 016 Phones: 668420/21, 667402, 663230 **Madras** : 128 Greames Road, Madras 600 006 Phones: 475511/12, 471917 & 473778 **Faridabad** : 14th Mile Stone, Mathura Road, Faridabad 121 003 Phone: 825740

CC/ACC-2/86

LETTER FROM ISLAMABAD — HUSAIN HAQQANI

Aid package time bomb

Pakistan expects considerable opposition in the US congress to the US $4.02 billion (Rs. 4,824 crores) economic and military assistance programme agreed on for 1987-93. The six-year package of development assistance grants, economic support funds and foreign military sales is less than Pakistan's request of more than US $6 billion and slightly more than the US $3.2 billion now under disbursement for the 1982-87 period. According to Pakistani officials, the real value of the post-1987 package almost equals the previous programme after accounting for inflation.

A major hurdle for the new aid package is the need for fresh congressional exemption from ss. 669 and 670 of the US Foreign Assistance Act which prohibit aid to countries engaged in nuclear enrichment, nuclear reprocessing or nuclear detonation. President Reagan waived the provisions of the so-called Symington and Glenn Amendments for Pakistan in 1981 for six years. Congress will now have to make a specific extension to the waiver beyond 1987 and this would involve a tough battle on Capitol Hill, given the anti-nuclear proliferation sentiment in the US.

Hectic negotiations. Agreement over the new US aid package was reached after hectic negotiations in Washington and Islamabad, which began during the second half of last year. Pakistan's finance minister Yasin Khan Wattoo visited Washington in February with the US $6 billion request and was informed of "difficulties" by American officials. "They were asking for too much at a time when the mood is to give as little as possible," observed an American diplomat.Pakistani proposals and US counter-proposals were modified and an agreement was announced in Islamabad at the end of the talks.

The post-1987 package comprises US $2.28 billion in economic assistance and US $1.74 billion in military aid. The annual level of economic assistance will be US $380 million (Rs. 456 crores), including grants of US $50 million as development assistance and US $250 million in economic support funds. Another US $80 million in annual aid represents soft loans under PL480, repayable in 30 years with 10 years grace at 2% interest during the grace period and 3% thereafter. The military component, comprised exclusively of foreign military sales at an annual level of US $290 million, is provided on credit at 5% interest with seven years for repayment and five years' grace.

The aid is expected to be utilised for continuing modernisation of Pakistan's armed forces, which began with the previous assistance programme. On top of Pakistan's post-1987 military shopping list would be an airborne radar and surveillance system as well as ground-to-ground missiles and up-to-date armour. Islamabad has previously shown interest in an airborne warning and control system to improve the advance warning capability of its air force. Updating armour technology is also a priority.

Sore points. Some factors seem to be on Pakistan's side in securing administration and congressional support for continued assistance. The Soviet refusal to withdraw from Afghanistan and increased forays across the Pakistan border by Soviet-backed Afghan communist forces, coupled with the continued trickling in of refugees, boost the argument for bolstering Pakistan with economic and military aid. Pakistan's success in establishing a semblance of democratic institutions and its achievements in the fight against narcotics—both sore points in the US-Pakistani relationship in the past—have also improved the country's standing with American leaders. But the nuclear programme continues to be a source of difficulties and most problems on securing approval of aid revolve around this issue.

Although Pakistan continues to insist on the peaceful nature of its nuclear programme, doubts persist over its alleged attempts to develop a nuclear weapons capability. Publicly the Reagan administration has repeatedly acknowledged its belief in Pakistan's assurances on the nuclear question, but it has applied pressure to secure adherence to the non-proliferation treaty (NPT). Pakistan says it will sign the NPT only after India does and New Delhi has no declared intention of signing.

US officials have argued in the past that military assistance would deter Pakistan from making the bomb. This time it would be difficult to repeat that argument and evidence will be needed to prove that no nuclear weapon is being, or has been, developed.

UNITED STATES

Wanted surprises

In a country such as the US, which is a vast repository of top flight managerial talent, identifying the most highly rated managers—and by deduction the "most wanted"—in American industry is no easy task. It is precisely for this reason that *Fortune International's* first-of-its-kind study of America's most wanted managers published in the magazine's issue of 3rd February will perhaps be of interest to the relatively small but increasingly rat race-oriented indigenous management community.

In its attempt to identify America's most coveted top-rung managers, *Fortune* took the help of 12 top bracket executive search firms in the US and asked them to list their choices of the ideal corporate chief executive officer (CEO) in 10 different industries. The selected industries were: aerospace and defence, communications, diversified manufacturing, energy, equipment manufacturing, financial services, food and drugs, high technology, retailing and fashion and travel.

"We skipped the automobile industry because most headhunters judge the car companies too inbred to accept a chief executive officer from another company, despite the success of that celebrated transplant Lee Iacocca. (Also) men and women already running an independent company no matter how small, were declared ineligible for the list—they have already made it to the top," says Roy Rowan (66), a *Time-Life-Fortune* veteran who wrote the feature.

Once the industries and the eligibility criteria had been laid down, the knowledgeable community of American corporate headhunters was asked to nominate ideal candidates for the position of CEO for a firm in each industry, citing the different strengths and unique characteristics of each. In all, 150 names emerged and this list was shortened through a process of elimination.

Clear-cut winners. Comments Rowan, "Then, without identifying the source of the nominees, we asked four of the executive search firms to rate the others' candidates. With the help of these firms we winnowed the list down to 30 finalists, three from each industry. All possess wide experience and impressive leadership skills. *Fortune* then

reviewed their careers and why they had been singled out by headhunters. In several industries a clear-cut winner emerged. In a few instances, the results were so close that we asked for additional evaluations, sometimes from another headhunter. Based on all this probing, *Fortune* selected one star from each industry, the individuals we judged the hottest of the hot."

Interestingly, America's 10 most wanted managers are all in their forties, with the seniormost (in age) among them being Thomas S. McIntosh, who at 48 is president, chairman and CEO of the petroleum drilling firm Zapata Offshore Co. The distinction of being the youngest in the top 10 belongs to 41-year-old Jane Evans. Evans is president and CEO of the world's largest costume jewellery company, Monet Crystal Brands Inc., and the only woman to feature in *Fortune's* list of America's most wanted managers.

Again, of the 10 selected, six are already chief executives, while the remaining four are currently vice presidents or vice chairmen but potential CEO material all the same. Interestingly again, the four vice presidents/vice chairmen have stuck to their current firms for over 10 years—in three cases more than 15 years—which would perhaps indicate that in searching for potential new chief executives, the US executive search community favours stayers to job hoppers.

Moreover, the American executive headhunters' fraternity is not particularly impressed by formal educational qualifications either. Only four of the 10 most wanted managers have business management degrees. Indeed, their preference quite clearly is for track records rather than formal educational qualifications. Thus, Douglas H. McCorkindale, vice chairman and chief financial and administrative officer of Gannet Co., who has been selected the 'most wanted' manager in the American communications (media) industry, is a former Wall Street lawyer with no formal qualifications in finance. He is, however, a master in the art of acquisitions, having negotiated the purchase of 86 dailies, and six television and 15 radio stations since he joined Gannett in 1971.

Deadly serious. Yet another corporate star listed in *Fortune's* top 10 is Roger A. Enrico who, at the age of 42, is president and CEO of Pepsi-Cola, USA—probably the best known company featuring in the *Fortune* study. After a short stint at General Mills following his graduation from the little known Babson College in Massachusetts, Enrico joined a subsidiary of Pepsico in 1971. Since then, he has quietly worked his way up the massive Pepsico organisation and US headhunters rate him as being: "Tough, wily, inexhaustible. Has fertile imagination, but is deadly serious."

Another individual who is highly rated by the esoteric American headhunters' community—who reportedly demands and gets mind-boggling fees—despite his lack of formal educational qualifications is Norman P. Blake (44), chairman and CEO of Heller International Corporation, a subsidiary of Fuji Bank. Blake is selected as being the 'most wanted' manager in the financial services industry in the US, even though all he has to show by way of formal educational qualifications is a postgraduate degree in international relations from Purdue university. But Blake earned his colours when he rescued Heller, which was deep in the red, chiefly by boosting employee morale.



"... and he ain't even heard of HBS!"

Writes Rowan, "On 3rd April 1984, the day he took command of Heller, Blake sent each of the beleaguered Chicago-based finance company's 3,000 employees a letter indicating, 'What you can expect from me' and 'What I expect from you.' " The letter was signed 'Norm,' with characteristic American informality. Blake also started handing out company watches with the inscription: 'play to win.' Using gimmicky but obviously effective tactics such as placing a sign saying, "Get the spectators off the field," Blake *inter alia* attracted new capital, got rid of many senior managers and cut his workforce by 15%, thus paving the way for the recovery of Heller International.

Blake, Enrico and McCorkindale are outstanding examples of management professionals who at a relatively young age have reached the top without having business management or even patently impressive professional degrees to explain their success. Quite clearly, their inclusion in the list of America's most wanted managers indicates that character, commitment and results are all that ultimately matter.

Another interesting aspect which emerges from the *Fortune* study is that tomorrow's CEOs in some of the best known companies in the US are all likely to be people in their forties.

Besides the top 10, 20 other top level executives also figure in the "A" list of executive search firms. Among those slated for the top in US companies with an India connection:

■ Michael H. Walsh (43), executive vice president for operations and international business, Cummins Engine Co. Comments *Fortune:* "Unique career transition—a lawyer running manufacturing operations. Real leader, tough manager. Has incredible instincts and ability to read people. Has been on the fast track since he came to Cummins."

■ George David (43), executive vice president and chief operating officer, Otis Elevator Co. a subsidiary of United Technologies Corporation. "Super bright management star, good with people despite computerlike mind. Candidate for a bigger job. Should go far at UT or elsewhere."

■ Richard S. Braddock (44), sector executive, Citicorp. "Leading consumer banker with ability to execute and (has) vision. Loyal to Citicorp chief executive John Reed, but will be taken out some day by an aggressive recruiter."

■ Darryl Hartley Leonard (40), executive vice president, Hyatt Hotels. "British born, strong and hard driving. A 21-year-old veteran in the hotel industry who rose from desk clerk. Accomplishment oriented."

As in the US, it is only a matter of time before increasingly younger managers begin to occupy top positions in the corporate world in India as well. Professional managers such as Gurcharan Das, president of Richardson Hindustan Ltd., who was appointed to this


Thai
Smooth as silk



"...never been so embarrassed! Insisted on paying, then found I hadn't enough cash. GOT MYSELF A DINERS CARD AFTER THAT!"



Being short of cash can be terribly embarrassing. And it can happen to anyone, anytime. Unless you carry a wallet bulging with wads of notes all the time. But that's unsafe—and so inconvenient. Of course, there's an alternative. The Diners Club Card. It's like carrying your bank in your wallet. You're always covered—in style

Pays for itself many times over—more value-for-money than money:

- Buys air tickets. Get you free flight insurance of Rs. 1 lakh automatically
- Special discounts at hotels abroad
- Secure against loss or theft
- Gives you a Consolidated Statement of Account every month. And of course you get your charge slip and bill at the member establishment

DINERS CLUB INTERNATIONAL

Diners Club India Private Limited
Raheja Chambers, 213 Nariman Point
Bombay 400 021
Tel: 244949

I would like to be a member of Diners Club and enclose my cheque for Rs 900 towards Entrance Fees and Annual Subscription

NAME

ADDRESS

PIN CODE TELEPHONE

DATE SIGNATURE

I understand that if Membership is not granted I will be refunded my payment of Rs 900 immediately

COUNBSW Ø

LINTAS DC 112 2719 BSW

THE DINERS CLUB CARD–YEARS AHEAD OF CASH

position while still in his thirties, and Harsh Vardhan, managing director of the public sector airline Vayudoot, who has made it to the top while in his late twenties, are harbingers of this trend.

And as the traditionally age-revering Indian industry gets used to having people in their thirties and forties occupying top slots in the corporate sector, its great respect for formal educational qualifications is also likely to dwindle. If in the US, where a revered 78-year-old institution such as the Harvard Business School can claim only two of its alumni among the ranks of America's 10 most wanted managers, then there is certainly hope for non-MBA professionals to make it to the highest rungs in Indian industry.

Indeed, the *Fortune* study—which *inter alia* incorporates the selection made by Korn/Ferry International,the world's largest recruiting firm with 37 offices and 1,250 client companies—has quite convincingly demolished the popular myth that a business management degree is a passport to corporate success. Perhaps there is a lesson in this for indigenous executive search firms, as well as for corporate managements, which tend to look at MBAS through rose coloured glasses.

Binu S. Thomas

ITALY

Miraculous turnaround

Exactly five years ago, the *Financial Times* began a major survey of Italy with the words: "Where else but in Italy could the word crisis have been all but stripped of meaning? Today, the country, to Italians and foreigners alike, seems in a worse-than-usual shambles."

The writer pointed to 20% inflation, strikes, terrorism, mountainous losses by state industry, a political stalemate and a general sense of despair, epitomised by endless newspaper editorials asking: "Where will it all end?" Today, the contrast with 1981 could hardly be more complete.

Italy has had the same government for more than two and a half years—a feat unmatched in its post-war history. The unions are quiescent and strikes are at their lowest level for a generation. The economy is expanding quite nicely and will this year receive a further boost from the fall in the oil price and of the dollar.

Italian private sector companies are prospering hugely and the publicly-owned ones are improving. The stock exchange is roaring like a furnace—perhaps rather too fiercely. The press grumbles, but it no longer despairs. Italy, in fact, has ceased to be a country of crisis.

That does not mean that Italy has lost its capacity for drama, or even for disaster. In a classically enigmatic end to the big financial and political scandals of the seventies and early eighties, Michele Sindona, the convicted banker, died from cyanide a few weeks ago—leaving the arguments as to whether he had committed suicide or been murdered, finely balanced.

And anyone coming to Italy expecting to find the country visibly transformed, will be disappointed: the centres of big cities are even more opulent but their outskirts just as squalid as five years ago. The traffic in Rome and Naples is probably even more appalling and if domestic air and train services have improved, they are still much worse than those of Italy's European neighbours. It still takes an age to cash a cheque.

Best formula. The writer in 1981 was at pains to point out that official, state-run Italy was not the only one: that beneath the superficial chaos were hard-working, serious Italians, that in prosperous towns in the north and centre the word crisis did not mean much, and that a weak state was probably the best formula for a diverse and energetic country.

By that date, in fact, the first symptoms of recovery were beginning to show. In 1979, a small group of politicians and economists had taken the decision to bring Italy into the European Monetary System. That put an end to the days of easy devaluation and industry had to put its house in order. The following year, as a direct consequence, Fiat, the country's largest private enterprise, took on its unions in a strike and won. It not only achieved the right to cut the labour force and restructure, but so transformed the industrial climate that other private sector companies could follow suit.

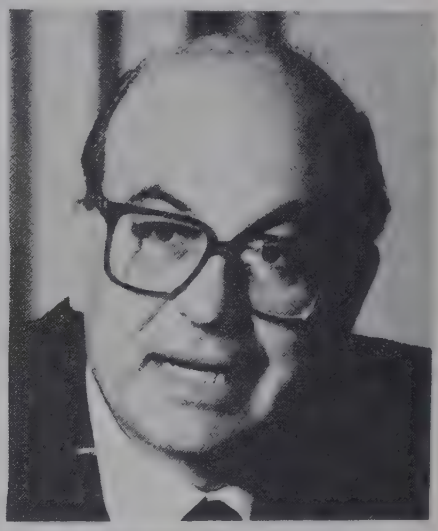
Even so the recovery of Italian industry which came next astonished almost everybody. Fiat is probably the continent's most profitable large-scale car maker and Olivetti its biggest indigenous data processing equipment maker.

Men like Gianni Agnelli, chairman of Fiat, his managing director Cesare Romiti, and Carlo de Benedetti, whose empire expands almost daily from its original base in Olivetti, are lionised in the Italian media as never before. Even state sector managers are now looked up to: ENI, the state energy company, last year made the biggest profit in its history.

Governments themselves, beset by the problems of coalition government and an unwieldy bureaucracy, have usually preferred to nudge change along gently rather than take decisive action. The fall in inflation—now at 7%—was mainly due to external factors.

The big exception has been the campaign over the past four years to reduce the scala mobile wage indexation system—a campaign to which Craxi made a politically decisive contribution in 1984. Last winter, a much less inflationary form of indexation was agreed and the question has ceased to be a political issue.

Where governments have almost completely failed, Craxi's among them,



Craxi: continuity gift

is to hold down the government deficit and the national debt, which is now as big as its gross domestic product.When they have taken action it has usually been to increase revenue, not to cut spending.

The alarming fact is that the cuts in spending that are now required (if a dent is to be made in the deficit) are now so big and would be so deflationary that bolder governments than this one would quail at the thought of them.

Condemned economy. So, to the despair of the Bank of Italy and of most businessmen, Italy seems condemned to live with an economy that is partially closed to the world by exchange controls, and with a monetary policy whose principal objective is to ensure that the government obtains enough money to fund itself—at high real rates of interest.

Craxi's contribution has been the

immensely valuable gift of continuity in government. Ministers can at least plan, even if they do not seem to implement very much, without the interruption of a change of government every ten and a half months.

Probably the most dramatic symbol of the new continuity is the extraordinary boom of the Milan stock exchange, which doubled last year and is already up by nearly half as much again this year. It is transforming a million Italian savers into serious stock exchange investors—mainly through unit trusts, is forcing Milan financial institutions to modernise, and could loosen the grip of old industrial oligarchies on the financial markets.

In one sense, Craxi's achievement in staying in power has been easy. It was his own disruptive behaviour as a discontented junior coalition partner that brought down the five governments in the four years before he became prime minister.

Once in power, events naturally improved. Even so, staying in office has had to be a permanent preoccupation for him. Yet he has hardly ever looked at a disadvantage: quick to anger and possessed of nerve, his reaction to any setback has always been to attack and raise the stakes.

Inconceivable idea. In the complicated horse trading now going on between the parties on the future of the government, the idea of Craxi being asked to stand down is inconceivable. Despite its preponderance in the coalition, the Christian Democrats could not plausibly replace the man who stood up to President Reagan over the *Achille Lauro* affair last year and who is to be the first post-war Italian prime minister to be exhibited at Madame Tussaud's.

Indeed, the prime minister's room for manoeuvre has been expanded, thanks to Italy's good fortune with the fall in the oil price and the dollar. Italy will benefit more from these developments than other western European countries, since it is more dependent than them on imported oil and gas, and has done so little in the past few years to develop alternative energy sources.

The windfall will mean lower inflation—perhaps down to 5% this year. The balance of payments ought to return to equilibrium or better, and the government should be able to boost its revenues by keeping petrol taxes high as the cost falls.

The main criticism against the Craxi government is that it has not made the most of its opportunities to promote serious reforms. Certainly it had a meagre balance sheet to show for last year, when it was excessively distracted by elections. But a five party coalition government with minimal control of parliament, facing a compact communist opposition, is hardly the best launchpad for change.

The reforms of the seventies were achieved because the situation was so critical and because the communists were cooperating. Now, neither of these conditions prevails.

Growing gap. As a result, vast problems such as decay of the education system, the labyrinthine futility of much of the bureaucracy, and the growing gap between the poor south and the rest of the country have not been given the attention they should. Nothing much seems to be done about youth unemployment, which accounts for 75% of all unemployment and is particularly bad in the south.

Yet changes are taking place: because Craxi has been in office so long, the prime minister's office is discreetly acquiring a little more power at the expense of the ministries—with surprisingly little objection from them. Soon parliament could approve a law, intermittently under discussion for 30 years, which would formally confer greater authority on the prime minister, at present only a *primus inter pares*. That would make Craxi loom even larger.

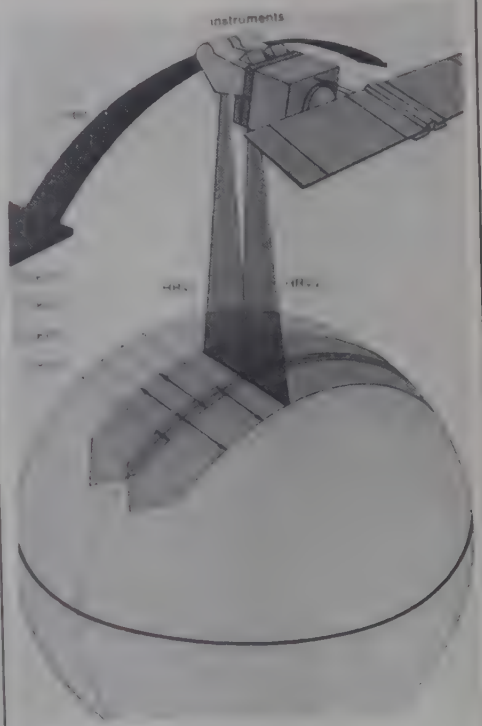
James Buxton
(By special arrangement with the Financial Times, London)

COMMUNICATIONS

New remote sensing era

The successful launching of the French built, high performance earth observation spacecraft SPOT, aboard the European Space Agency's Ariane launch vehicle in February 1986, was a significant even if little publicised event. Not only does the launch of SPOT pose a serious challenge to the hitherto American monopoly over satellite imagery of the earth's resources through its Landsat programme, but it also marks the beginning of a commercial era in satellite remote sensing.

After overcoming initial problems relating to the functioning of the solar battery panels, SPOT has started scanning the surface of the earth through the use of its versatile earth imaging equipment. Encouraged by the success of SPOT, Gerard



How SPOT works

Bracht, president of SPOT Images — the company floated to promote the sale of photographic images obtained from SPOT — observed: "SPOT is a superb machine. A real robot in space. Now we are also planning to operate spacecraft equipped with optical and radar sensors by the year 2000."

The era of remote sensing of the earth's resources via satellite began in the early seventies with the launching of the US' Landsat programme. The programme was a pioneer in the sense that it firmly established the efficacy of a space-based remote sensing system to obtain continuous and repetitive coverage of the earth's resources and temporal phenomena.

Commercial enterprise. The Landsat programme functioned well until the early eighties, when data from the satellites could easily be obtained by any country in return for a nominal fee. However, following the decision of the Reagan administration to make Landsat a purely commercial enterprise through privatisation, it offers the prospect of rapid cost escalation. Consequently, obtaining data from Landsat is bound to be very expensive for most third world countries. As per the privatisation programme drawn up by the Reagan administration, the Landsat satellites are to be handed over to a private firm, Earth Observation Satellite Corporation (EOSAT), which has been jointly promoted

by RCA and Hughes Aircraft — which are among the largest companies in the US.

In view of the cost uncertainty facing the Landsat programme, SPOT Images hopes to capture a lion's share of the global market for satellite images. Even otherwise, SPOT, the rectangular shaped 1,830 kg satellite which has been projected as the "most sophisticated eye in the sky," appears to be a sound proposition commercially. Indian space scientists estimate that the annual income generated by remote sensing satellites surveying non-US territory is currently US $16 million (Rs. 19.2 crores) and that this will increase tenfold in a decade from now.

Technologically, SPOT, according to Indian space scientists, is equal if not superior to Landsat's satellites. From its quasi-polar orbit at an altitude of 822 km above *terra firma*, SPOT, carrying a package of two identical HRV (high resolution visible) imaging instruments, two image data recorders and a computer system, is capable of collating data relating to *inter alia* oil and mineral exploration, cartographic and geological mapping, forests and agriculture, forecasting of natural disasters, and regional and local development including urban planning. While the black and white pictures relayed by SPOT will have a resolution of 10-M (metres), the coloured ones will only be half as sharp. Comments Professor Deekshatulu, director of the Indian National Remote Sensing Agency: "The 10-M resolution images of SPOT are as good as aerial photographs and these resolution images are more amenable to visual interpretation, especially of structural details." According to him, India will use SPOT data for urban and rural planning, land management, geological application and hydrological studies.

Major advantage. Moreover, the two separate imaging instruments on board SPOT are capable of viewing the earth's surface from different angles and can produce — for the first time in space — stereoscopic or 3-D pictures which are very useful in areas such as hydrography and geomorphology. Another major advantage of SPOT is that it can view a given strip on earth once every 2.5 days, which enables it to provide data from a vertical and oblique viewing of the same area. In contrast, Landsat satellites can't return to a site in less than 2.5 weeks and thus can view a given strip of earth only vertically.

First proposed in the mid-seventies by the French space agency CNES, SPOT has been financed by a large number of organisations. In addition to the CNES, SPOT's other shareholders include the French Institute for Geographic, Petroleum and Mining Research, Matra Espace, Societee Europeene de Propulsion, Swedish Space Corporation, French banks and a number of private and public companies from Belgium.



"I didn't know it was so useful"

SPOT images which are relayed to two earth stations at Toulouse (France) and Kiruna (Sweden) are expected to generate annual revenues between US $3.8 and $6.4 million to the company through the sale of processed images and computer compatible tapes. A 50 sq cm black and white photographic print of a 60 x 60 km earth image with a ground resolution of 20-M is priced at 850 francs (Rs. 1,330), while a colour print of the same resolution will be sold at 2,500 francs. According to CNES sources, US customers alone will account for 40% of SPOT's sales, while other buyers will include India, China, Canada, Brazil, Japan, Australia, Pakistan, Bangladesh and Saudi Arabia, which have put up their own receiving stations for the direct reception of satellite data.

And by all indications, the demand for data on the earth and its resources gathered from space is certain to increase. For, while satellite-based remote sensing cannot completely replace ground-based information systems, it can quickly and economically provide certain types of data which can be integrated into the existing resources management systems, making them more effective.

Doctrine violated. But there is an obverse and negative side to satellite remote sensing as well. The sensors and optical instruments on board an earth observation craft can be used to gather any type of data on any country without its prior consent. This violates the universally accepted doctrine of territorial sovereignty. And it is a little kept secret that the sensors used for the collection of data on natural resources are often pressed into service to collect sensitive and strategic information as well.

For most countries of the third world, however, there is little alternative, as a resource survey satellite of their own is beyond their means. India — which has a creditable track record in the area of satellite-based remote sensing, having built and launched a pair of experimental earth observation satellites — is now half way through developing a semi-operational 900 kg Indian Remote Sensing Satellite (IRS), designed to collect data on agriculture, hydrology, geology, forestry and oceanography. The three-axis stabilised IRS will be launched in late 1986 or early 1987. Later, India also plans to develop a microwave-type spacecraft in addition to an improved version of the IRS.

Meanwhile, China too has announced plans to develop a full-fledged remote sensing satellite to meet its data requirements in the areas of agriculture, natural resources assessment and mineral and oil exploration. Another venture of key interest to the third world is a joint Dutch-Indonesian satellite called the Tropical Earth Resources Technology Satellite, which is slated for launch by the end of this decade. It is designed to provide data on natural resources and will primarily be of interest to countries in the equatorial belt.

Thus the launch of SPOT well and truly marks the beginning of a new era in the commercialisation of remote sensing data from space. The host of other similar satellites which will follow in the wake of SPOT will not only provide for more accurate collection and processing of data on the earth and its vast untapped resources, but will also make the data more affordable to the less privileged third world nations.

Radhakrishna Rao

JAPAN

Yen firming limits

In spite of concern expressed by Japanese prime minister Yasuhiro Nakasone at the yen's appreciation to a record high of Y 175.5:US$1 on 17th March, the currency's strength represents a continuation of the manipulation



More rubber

That's what the new Ceat C 800 offers. This sleek premium-depth car tyre is packed with extra rubber.

More mileage

And what the extra rubber gives is extra mileage. The sleek design of the C 800 reduces drag and improves fuel efficiency.

More Ceat

The new C 800 has all the benefits of the advanced Ceat technology. And the C 800's lightweight design with angular zig-zag ribs is a direct result of this technology. So that you get extra stability and smoother rides.

CEAT

Going your way.

ULKA-CT-TM-85 R

put into effect in September by the Group of Five (G-5) industrial nations, Japanese bankers and securities sources agree. It may also foreshadow the collapse of the floating-currency system introduced in 1973. Neither the yen nor the dollar has been allowed to "float" for six months, and the present round of intervention is set to continue at least until the end of the Tokyo summit in May.

Even before the first G-5 meeting, Japanese economic research institutes were forecasting a 1986 average exchange rate of Y 170-180:US$1. This was generally calculated on the basis of the comparative strength of US and Japanese industry. When it became clear last year that Japan's capital outflows, mainly into US securities investments, would continue to depress the yen, political intervention was seen as the surest way of adjusting the currency to a level commensurate with fundamental economic indicators such as export performance. By intervention, the Bank of Japan (BOJ, the central bank) directly sells dollars, while the US Federal Reserve buys yen.

Thus, Japanese bankers are now describing the current yen-dollar relationship as a "political exchange rate." The steep rise of the yen, they say, means that the G-5 finance ministers' agreement is still working, not breaking down.

But while the Japanese government says it supports a higher yen, it believes the currency is appreciating too quickly. To slow (but not reverse) the yen's rise, Nakasone has instructed his cabinet to devise a set of short-term policies to help affected businesses. These are to be announced in April and may include a further half-point cut to 3.5% in the BOJ's official discount rate.

Fiscal austerity. The government is also under pressure from both foreign and domestic interests to deregulate property controls, bring forward public works projects and issue construction bonds. While all of these would raise domestic demand, Nakasone has indicated continued adherence to policies of fiscal austerity as opposed to more deficit financing.

Some currency analysts are now blaming the yen's rapid rise on cheaper oil, rather than the G-5 intervention gone awry. The economic ministers of Japan, the US, Britain, West Germany and France, who set the G-5 process in motion, could not have incorporated the oil price factor into their calculations. But this year, savings on oil are expected to boost Japan's trade surplus by US $10-20 billion, not to mention the savings on raw materials imports made possible by the strong yen.

Another cause at work in current exchange rate play is Japan's capital outflow, particularly investment in US securities by Japanese life insurance companies and other financial institutions. On paper, Japan's top 23 life insurance companies have taken an estimated loss of Y 1 trillion on their US dollar denominated investments. These companies have been allowed to invest up to 10% of total assets abroad. Ministry of finance (MOF) figures put their total assets at end-January at Y 52.2 trillion, of which Y 4.8 trillion—or an average of 9.3% of total assets—is salted away overseas.

On 17th March, however, MOF raised the limit to 25% and extended the range of investment instruments to include non-resident issues of yen denominated securities. In a separate move announced at the same time, the ministry advised life and casualty insurance companies that they could increase their foreign currency savings to 25% of total assets.

While there is some disagreement over whether the MOF's decision constitutes a liberalisation or a new restriction (some major life insurance companies are nearly at the 25% limit in the case of foreign currency deposits), what is agreed is that the insurance companies' capital exports will continue to grow, thus contributing to government efforts to stabilise the yen. This is because their assets are rising at an annual rate of around 15%, allowing for that much more foreign investment. Securities sources put their increased foreign investment this year at Y 400 billion.

A temptation. Japan's total capital outflow is fluctuating widely, suggesting that a number of factors may be at play in determining the volume of funds shifted into overseas markets. Despite (or because of) the firm yen, the net outflow in January rose by nearly US $3 billion over the December 1985 figure. In the case of insurance companies, fund managers appear caught in a situation where they cannot withdraw their funds from overseas markets without taking actual losses, but are nonetheless tempted to channel more money overseas for possible exchange rate gains while the dollar is so low.

While Japanese exporters predictably are complaining of shrinking profits and calling for the government to give them low interest loans, as yet there are few signs that US exporters are doing any better in Japan than they were before the dollar began to fall. Trade denominated in US dollars allows Japanese importers and distributors to increase their profits by holding selling prices steady as the yen rises. The only alternative is for each US exporter to negotiate a higher dollar price or persuade the Japanese importer to at least halve the exchange rate profit. The role of Japanese trading houses, which account for just over 50% of all Japanese imports, as currency speculators operating on razor-thin margins, may have been overlooked by US trade officials.



Nakasone: a higher yen but...

Failure on the part of US exporters to negotiate much higher dollar prices or move higher volumes of products at old prices may well undermine the efforts of monetary authorities to hit the dollar. That could be the final irony of the G-5 scheme. Japan is already the US' second biggest export market (after Canada), taking US $22.6 billion of an export total of US $213.1 billion (Rs. 2,55,720 crores) in calendar 1985. Imports from Japan of US $72.4 billion produced a deficit of US $49.8 billion. Japanese trade analysts would argue that much of that surplus is structural, meaning it results in large part from the shift of US manufacturing to Japan and other Asian countries. Sales of many US products in Japan (for example, Japan-built IBM computers) do not register as products exported from the US.

According to the US commerce department, the 1986 trade deficit is expected to "hover around last year's US $148.5 billion level." So while politicians evidently prescribe a strong yen as the panacea for declining industrial competitiveness, at least some trade

officials see no immediate results from currency realignment. And in the case of US exports to Japan, there is another structural factor inhibiting export growth.

Widening deficit. As the US commerce department's office of trade and investment analysis notes, virtually all of the 1985 deterioration in the US trade balance reflected a widening in the manufactures-trade deficit. Yet, if a low dollar prompts any growth in US exports to Japan, that growth is most likely to occur in agricultural products, which constitute the bulk of exports to Japan. The US has had least success in exporting manufactured products to Japan for reasons as much related to design and quantity as price.

But in any case, many Japanese manufacturers do not seem to believe US companies are capable of staging an export onslaught with the aid of the low dollar. They are far more worried about the prospect of cheap manufactures pouring in from South Korea, Taiwan, Singapore and other newly industrialised countries (NICS) whose currencies are tied to the US dollar, giving them the same export advantage in Japan as US companies, and a stronger position than Japanese companies in overseas markets.

Since G-5, the South Korean won has fallen 24% against the yen, the Hong Kong dollar 27%, and the Singapore dollar 22%. South Korean and Taiwanese exports to Japan were sharply up in January and February, and trading companies report much stiffer competition with NICS for steel and industrial plant exports to third country markets.

Forecasts on the direction of the yen are mixed, but many Japanese business leaders predict it will stay at around Y 170-180:US $1 or even higher as the summit approaches, but drop towards the end of the year. Shigetada Miyazaki, general manager of Mitsubishi Bank's economic research division, sees no abrupt change until the end of the May summit, but expects the dollar to bounce back to Y 200 by the end of 1986.

One of the most radical long-term forecasts comes from a senior researcher at the US Brookings Institution, who has told Japan's *Nihon Keizai* financial daily that over the next three to four years, an appropriate rate would be Y 100-130:US $1, in view of the Japan-US trade imbalance.

Bruce Roscoe
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

LETTER FROM JAKARTA — KIERAN COOKE

A minority under siege

Down in Surabaya, the bustling port that is Indonesia's second biggest city, Chinese traders sit in their invariably scruffy looking emporia. An elderly man in navy shorts, vest and sandals looks on indifferently from behind a dusty desk. Ask to speak to the owner and he will point to another nearby desk and empty chair. "The owner is out... but can I help?" Such tactics form part of the camouflage of Chinese business practice in Indonesia: the man is in fact the unlikely looking boss of what is probably a considerable business empire.

There are 165 million people in Indonesia. Only 3-4 million of them are Chinese. But as in many other countries in the region, the Chinese tend to dominate most fields of economic activity. It's often alleged that 70% of Indonesia's economy is Chinese controlled. Almost all businesses are family-run though many employ native Indonesians as frontmen or are in league with prominent political or military figures.

Management crisis. However, the family structure which has many benefits for smaller business can, as companies grow larger, lead to a management crisis when the father, the grand patron, dies. This is because, under the Chinese system, all resources are split between the sons.

According to Paul Hsu, a Taiwanese management expert who has made a special study of Chinese business methods in the South-east Asian region, the splitting of property and economic resources between sons on the death of the father means, in effect, that the household ceases to exist and is replaced by a number of units or 'Fangs,' each autonomous of the other.

By contrast, in Japanese society, the eldest son usually inherits all property, thus preserving the overall integrity of the household or business. The Chinese tend to be far more independently minded than the Japanese—an outlook summed up in the Chinese saying: "One would rather be the head of a chicken than the tail of an ox," meaning that it is far better to be the boss of even a small business than an employee of a giant corporation. Family and not corporate loyalty is the dominant factor.

In Indonesia such feelings are reinforced by the political position of the Chinese. In Dutch colonial times the Chinese were often used as administrators and became a group increasingly separated from the rest of society. Though many Chinese have been in Indonesia for several generations—a considerable number can no longer speak any Chinese—they remain in many ways a race apart, resented for their economic power and mistrusted politically.

Any display of Chinese script is forbidden; there are no Chinese schools and most Chinese have to carry special identity cards. There are also restrictions on Chinese entry into state universities, government jobs and on the provision of cheap credit. As a result the Chinese community has been thrown back on its own, family oriented resources where insularity has been reinforced and secretiveness encouraged.

The sprawling business empire of the Chinese Indonesian tycoon, Liem Sioe Liong, is often cited as an example of a dynamic, modern company. Through his First Pacific group in Hong Kong, Liem controls an international business empire with total holdings estimated at between $6 billion and $9 billion. In the last few years the group has taken over the Dutch Hagemeyer trading company, numerous financial institutions around South-east Asia and the California-based Hibernia Bankshares bank.

Much of the Liem group's international success can be attributed to copying Japanese-style management practices and skills; notable gains have been achieved by combining trading and credit skills in a similar way to Japan's integrated trading groups. But Liem concerns in Indonesia—on which overall group performance is critically based—remain very much a family affair. Few financial details are ever released about the group's Indonesian companies.

Only Bank Central Asia—Liem-controlled and the largest private bank in Indonesia—and associated insurance and finance companies issue annual public accounts. But increasingly questions are being asked about the overall performance of the group, especially at a time when Indonesia is going through its worst economic downturn in nearly 20 years.

COMPANIES

Union Carbide divestitures

■ The Connecticut (US)-based manufacturer of chemicals and plastics, Union Carbide Corporation (UCC — sales: $9.50 billion or Rs. 11,400 crores in 1984), has announced various plans reportedly to reduce its debt burden resulting from its takeover battle with GAF Corporation. In an effort to fend off the takeover threat from GAF, Union Carbide had borrowed heavily to purchase its own shares from the market.

Consequently, the company's debt burden almost doubled overnight, seriously threatening its already declining profitability. In a bid to remain in the black, UCC has now concluded an agreement for the sale of almost all its worldwide battery businesses — which manufacture such famous brand names as Eveready and Energiser — to Ralston Purina Co., the world's largest producer of dry pet foods (sales: $5.86 billion or Rs. 7,032 crores in the year ended 30th September 1985). However, the terms of this sale do not cover the battery products manufacturing division of Union Carbide India Ltd. Meanwhile, in early April, UCC sold its interests in Sony-Eveready, Japan to Sony Corporation for $12 million.

Yet another move by UCC aimed at reducing its burden is the decision to sell its headquarters site in Danbury, Connecticut. While the company will retain its headquarters building, the property will be developed as a commercial complex over the next several years.

However, this divestiture of assets programme of UCC is being viewed with dark foreboding by the government of India and welfare organisations in this country who represent the estimated 3,000 dead and 1,00,000 injured in the Bhopal gas leak tragedy of 1984. They believe that these divestitures are part of a UCC plan to deny those injured in the Bhopal tragedy the damages claimed in the numerous suits filed against the company.

BRITAIN

GEC's surprise move

■ General Electric Co. (GEC), the well-known British multinational which *inter alia* manufactures electrical hardware, has acquired nearly 5 million equity shares valued at about £4 million (Rs. 7 crores) in the ailing Westland Corporation (loss: £95.3 million or Rs. 167 crores in its latest financial year). The UK-based helicopter manufacturer was recently at the epicentre of a raging controversy over its future that rocked the Thatcher government.

GEC's acquisition was greeted with much surprise in industrial circles in Britain as the company was a member of the European consortium — comprising British Aerospace, UK; Agusta, Italy; Aerospatiale, France; and Messerschmitt-Bolkow-Blohm, West Germany — which was unsuccessful in its attempt to acquire the beleaguered Westland against the rival bid proposed by the Fiat (Italy)-Sikorsky (USA) combine. Now, with a reportedly 6.25% equity stake, GEC joins Fiat and Sikorsky as a major shareholder in Westland.

COMPUTERS

Sinclair goes under

■ Once one of the most successful computer companies in Europe, Sinclair Research Ltd., UK — which is also one of the pioneer manufacturers of home computers in Europe — has been compelled to sell off its computer manufacturing business, which accounted for 90% of its sales revenue in 1985. Sinclair's computer division has been acquired by Amstrad Consumer Electronics plc, the UK-based manufacturer of a wide range of electronic products — which is also reportedly one of the fastest growing companies in the UK — for just £5 million (Rs. 8.75 crores).

Recently, Sinclair has also divested its majority stake in its telecommunication products manufacturing business and a minority stake in its semiconductors manufacturing unit, and the sale of its other minor businesses is on the cards as well. Finally, Sinclair will have shrunk to comprise only a research consultancy firm and a small pocket televisions retailing business.

The main reason for these drastic measures is that Sinclair recently struck a bad financial patch and was unable to control its sales, with the result that its pre-tax profit of £14 million in the year ended 31st March 1984 turned into a loss of £18 million (Rs. 31.5 crores) in 1985.

Market analysts are of the opinion that the acquisition of Sinclair's strong manufacturing base coupled with Amstrad's global distribution network is likely to give Amstrad a not inconsiderable edge in the global home computers market.

TELECOMMUNICATIONS

BT-Du Pont tie up

■ The Wilmington (US)-based manufacturer of chemicals, Du Pont (EI) de Nemours (sales: $35.91 billion or Rs. 43,092 crores in 1984) and British Telecom have announced a joint venture to manufacture opto-electronic components which are used in the telecommunications industry. The two companies plan to invest nearly £100 million during the next four years in the UK-based joint venture which is to be named BT&D Technologies. The venture is to be owned equally by the two companies and is aimed at competing with market leaders in the industry such as AT&T of the US; Fujitsu, Hitachi and NEC of Japan; and STC of Britain.

BT&D plans to develop, manufacture and market a range of advanced opto-electronic components and sub-systems. Its main customers will be telecommunication equipment suppliers manufacturing optical fibre systems. Currently, the world market for opto-electronic components, which transmit telecommunication signals in the form of light, is worth about £350 million annually and is expected to grow by more than £4 billion annually in the next decade. This sudden growth is attributed to the increasing replacement of copper telephone wires by cables made of transparent optical fibres.

BANKING & FINANCE

JMB changes hands

■ Johnson Matthey Bankers Ltd. (JMB), one of the major banks in the UK which had run up bad debts aggregating to an estimated £245 million (Rs. 429 crores) and was bailed out in October 1984 by the Bank of England (BE) and a consortium of 25 banks, is changing hands. JMB has been acquired for £67.5 million (Rs. 118 crores) by the Westpac Banking Corporation, which is the largest private bank in Australia. The bullion, foreign exchange and treasury operations and some other smaller businesses, representing 90% of JMB's assets, are now the exclusive preserve of Westpac, and will be managed by its new wholly-owned subsidiary — Mase-Westpac Ltd. JMB's prestigious membership in the London gold market has also been inherited by Westpac.

Once the transaction is concluded, only the bad and doubtful loans and some minor subsidiaries of JMB will be the responsibility of the BE. And BE estimates that in the final analysis the JMB rescue will have cost it less than £25 million.

MAHARASHTRA SCOOTERS

Smooth going

There are good tidings in the offing for the shareholders of Maharashtra Scooters Ltd., the manufacturer of the popular Priya brand of automotive scooters. The company is doing quite well in its current year ending 30th June 1986 and the management may well declare a bonus issue, besides maintaining the equity dividend at 25%.

The company's production for the whole year has already been sold in advance and sales turnover for the current year is expected to be in the vicinity of Rs. 50 crores as against Rs. 43 crores achieved in 1984-85. Profit at the gross level which had declined last year to Rs. 3.81 crores from the Rs. 4.39 crores realised in 1983-84, is likely to be at least 20% higher this year as the income from the company's investments of the advance deposits collected against scooter bookings in the Unit Trust of India and elsewhere is expected to be appreciably higher this year.

The reserves of the company on 30th June 1986 are expected to swell to around four times its equity capital of Rs. 1.43 crores and hence the management is likely to capitalise a part of these reserves by making a bonus issue. The company will be eligible to make a bonus issue by the end of this year as the last bonus issue (in the ratio of 3:7) was made in 1983.

SEARLE INDIA

Promising outlook

The going is extremely good at Searle (India) Ltd., the medium-sized pharmaceutical company which has now diversified into agro-chemicals. The company, the Indian associate of G.D. Searle, USA which was recently taken over by the well-known American chemicals manufacturing company, Monsanto, has been recording improved results year after year in recent times. And the outlook for the current year ending 31st December 1986 is also highly promising.

If actual performance of the first quarter (1st January to 31st March 1986) is any indication, the sales turnover of the company will rise by about 40% in 1986 on top of a 89% spurt in 1984 and a further 57% advance in 1985. Likewise, profit at the gross level, which had zoomed by 165% in 1984 and then further improved by 27% in 1985, is likely to be at least 20% higher this year.

The company's shareholders who have been handsomely rewarded of late with a 30% dividend and 1:1 bonus issue in 1985, are unlikely to have any cause for dissatisfaction as they are likely to receive a handsome dividend of around 20%-25%, which on the pre-bonus capital will work out to 40%-50%.

Meanwhile, the company's liquid pharmaceuticals manufacturing project which is being set up at Ankleshwar in Gujarat, is almost ready to go into production and its pesticides formulation plant, also at Ankleshwar, is likely to be ready by December this year.

BASF

Bonus issue imminent

The current year (1986) prospect for BASF India Ltd., the Indian associate of the West German multinational company, BASF, is highly promising and the board of directors is likely to consider a proposal to issue bonus shares while finalising the accounts for 1986.

Almost all the divisions of the company are doing well. The speciality plastics division which reported a growth of 36% in sales in 1985 and the dyestuffs division which grew by 53% last year, have maintained their rates of growth thus far.

If operational trends are any indication, the company's sales turnover in the current year will advance by at least 25% over the Rs. 36 crores achieved last year and profit at the gross level is likely to improve by at least 20%. The company's reserves will rise to more than three times its equity capital of Rs. 3 crores and this may well prompt the management to make a liberal bonus issue.

Meanwhile, the company has shelved its plans to set up a 40,000 tonnes per annum caprolactum and a 10,000 tonnes per annum ammonium sulphate projects. Instead, it proposes to set up a small plant for the manufacture of pentane at its Thane-Belapur Road plant.

Companies this fortnight

(Rs. crores)

	Maharashtra Scooters (year ending June)			Searle (year ending December)			BASF (year ending December)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Sales	30.42	42.41	43.20	13.29	24.46	38.48	25.60	31.52	36.02
Gross profit	1.13	4.39	3.82	2.65	7.02	8.94	2.55	3.19	3.09
Paid-up capital	1.43	1.43	1.43	1.74	1.74	1.74	3.02	3.02	3.02
Reserves	1.39	3.03	4.48	2.73	6.29	11.65	7.40	8.22	8.82
Gross fixed assets	2.40	3.46	---	7.09	8.20	9.39	11.65	21.02	21.68
Dividend (%)	15.00	25.00	25.00	17.00	25.00	30.00	10.00	12.00	12.00
Earnings per share (Rs.)	3.14	12.60	11.10	8.57	22.54	33.54	4.08	4.12	3.34
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market value as on 11th April 1986 (Rs.)			230.00			400.00			80.00

MAHINDRA & MAHINDRA

Satisfactory results

Mahindra & Mahindra Ltd. (M&M), the well diversified Bombay-based giant which is *inter alia* engaged in the manufacture of jeeps, tractors, diesel engines and electronic teleprinters, has posted satisfactory results in its accounting year ended 31st October1985. The company's results include the accounts of the Mahindra Spicer division, which was amalgamated with M&M with effect from 3rd April 1984. Sales turnover is nearing the Rs. 500 crore mark, and at Rs. 482.07 crores it was 11.1% higher than the Rs. 433.77 crores recorded in 1983-84. Gross profit has improved by 16.2% to Rs. 53.58 crores from Rs. 46.09 crores in the previous year. However, profit after tax has declined marginally to Rs. 13.55 crores from Rs. 14.60 crores in 1983-84. This notwithstanding, the board of directors has recommended an enhanced equity dividend of 20% *cf.* 18% paid in 1983-84.

HIND CIBA-GEIGY

Higher dividend

Hindustan Ciba-Geigy Ltd., the well-known Bombay-based company which is *inter alia* engaged in the manufacture of bulk drugs and formulations, toothpaste and agricultural and biotech products, has recorded an all round improvement in sales and profitability. In the company's year ended 31st December 1985, sales turnover has appreciated by 25% to Rs. 143.82 crores from Rs. 115.09 crores in 1984, while gross profit has improved by 19.8% to Rs. 14.05 crores from Rs. 11.73 crores during the same period. Consequently, the board of directors proposes to step up the equity dividend to 18% *cf.* 15% paid in the previous year.

MICO

Good performance

The Bangalore-based Motor Industries Co. Ltd. (MICO), which manufactures a wide range of automotive ancillaries,has turned in a good financial performance in its year ended 31st December 1985. Sales turnover has risen by 15.7% to Rs. 143.09 crores, while profit after depreciation, investment allowance and taxation has increased by a handsome 43% to Rs. 8.32 crores from Rs. 5.82 crores in the previous year. Consequently, a higher equity dividend of 18% (*cf.* 15% in 1984) has been recommended by the company's board of directors.

ORG SYSTEMS

New projects

As a part of the massive organisational restructuring and expansion programme underway at the Ahmedabad-based Ambalal Sarabhai Enterprises Ltd. (ASE – sales: Rs. 205 crores in the year ended 30th June 1985), its computers division, ORG Systems,is rapidly expanding its operations.

ORG – which has been made a division of ASE's new subsidiary, Sarabhai Electronics Ltd. – has received the green signal to increase the manufacturing capacity of its existing range of mini-computers and microprocessor systems. The company also proposes to venture into the manufacture of peripherals such as hard disk and magnetic tape drives, phototypesetting terminals and line and dot matrix printers.

Besides, ORG Systems has also tied up with Dansk Data Electronic AS, Denmark, and CGA-HBS, which is a part of the Paris headquartered Alcatel group of companies. In technical collaboration with Dansk, the company will manufacture a new range of super mini-computers – branded the ORG Supermax – and MICR encoders will be manufactured in technical collaboration with CGA-HBS. This new range of computer products is expected to find wide application in the banking sector.

BIHAR ALLOY

In the black

Bihar Alloy Steels Ltd.,,the Ranchi-based Birla group company which manufactures alloy tool and special steels, has announced improved financial results in its year ended 31st December 1985. Sales turnover has risen to Rs. 63.54 crores from Rs. 53.52 crores in 1984. The company has recorded a gross profit of Rs. 2.02 crores *cf.* a loss of Rs. 1.02 crores in the previous year. The profit will however be used to set off cumulative losses aggregating to Rs. 3.07 crores as on 31st December 1984. The net loss will thereby be reduced to Rs. 71.92 lakhs. Not surprisingly, the company's board of directors has skipped the payment of equity dividend – for the sixth year in succession.

ASSOCIATED BEARING

Bonus issue

Associated Bearing Co. Ltd., Bombay has fared well in its financial year ended 31st December 1985. The sales turnover of this Tata group company – which manufactures ball and taper roller bearings and top rollers, has risen from Rs.45 crores in 1984 to Rs. 52.56 crores in the recently concluded year, i.e. by 16.7%. Pre-tax profit has shot up by 42.5% to Rs. 6.71 crores from Rs. 4.71 crores in 1984, while profit after tax has increased by 36% to Rs. 6.14 crores from Rs. 4.71 crores over the same period. Considering the all round improvement in its books of accounts, the board of directors has proposed a higher equity dividend of 22% *cf.* 20% in 1984. In addition, subject to the necessary approvals, the company board has also recommended a bonus issue in the ratio of 2:5.

ENNORE FOUNDRIES

Improved results

Ennore Foundries Ltd., the Ennore (Madras) – based company which manufactures alloy iron and aluminium castings for the automotive industry, has recorded an improvement in its working results for its year ended 31st December 1985. Sales turnover at Rs. 33.55 crores was 24.4% higher than the Rs. 26.97 crores recorded in 1984. Gross profit increased by 14.9% to Rs. 3.83 crores from Rs. 3.34 crores in the previous year, while net profit rose to Rs. 1.46 crores from Rs. 1.26 crores over the same period. However, the company proposes to maintain the rate of dividend payment at 16%.

IVP

Phenomenal profit spurt

Excellent working results have been recorded by IVP Ltd., the Allana group company which is *inter alia* engaged in the manufacture of a wide range of products such as vanaspati, foundry chemicals and industrial ceramics. This Bombay-based company

has recorded a phenomenal improvement in profitability in its financial year ended 31st December 1985. On a sales turnover of Rs. 46.06 crores which is 20.5% higher than the Rs. 38.20 crores notched up in 1984, pre-tax profit has spurted by 130% to Rs. 1.38 crores from Rs. 60.17 lakhs in the previous year, and profit after tax has shot up by 161% to Rs. 1.18 crores from Rs. 45.17 lakhs in the previous year. Consequently, IVP's board of directors has proposed an equity dividend of 14% (18% in 1984) on an enlarged capital base following the recent issue of bonus shares in the ratio of 1:2.

BURROUGHS WELLCOME

New diversification phase

The Bombay-based Burroughs Wellcome (India) Ltd. has fared well in its accounting year ended 31st August 1985. Sales turnover has increased to Rs. 44.34 crores from Rs. 38.31 crores in the previous year – a growth of 15.7%, while gross profit has increased by 16.6% to Rs. 4.01 crores from Rs. 3.44 crores over the same period. The company's board of directors has proposed an equity dividend of 25% *cf.* 26.5% in 1984.

Engaged in the manufacture of a range of well-known bulk drugs and formulations and fine chemicals, Burroughs Wellcome also proposes to launch a new range of over-the-counter products in the market shortly. In addition, the company is also diversifying into the manufacture of sports shoes and sportswear,which is a rapidly growing market. To this end, Burroughs Wellcome has already negotiated a tie-up with Nike Inc., USA, an internationally recognised name in the sportswear industry.

OTIS ELEVATORS

Good performance

Otis Elevator Co. (India) Ltd. has fared well in its accounting year ended 30th November 1985. This well-known Bombay-based manufacturer of elevators and escalators has recorded a sales turnover of Rs. 35.37 crores which is 31.3% higher than the Rs. 26.94 crores recorded in the preceding year. Gross profit has increased to Rs. 7.75 crores from Rs. 6.44 crores in 1983-84, while profit after tax at Rs. 2.69 crores is a significant 42.3% more than the Rs. 1.89 crores chalked up in 1983-84.

Some forthcoming public issues

Company	Type	Date	Issue size (Rs. crores)	Purpose
Priyadarshini Leasing & Finance	E	28th April	0.75	To augment long-term resources
Rama Petrochemicals	E	28th April	3.48	Part financing of methanol project
Forward Electronics	E	28th April	0.70	Working capital requirements
Rishi Packers	E	28th April	0.60	Part financing of paper bag project
Indian Spices & Food Industries	E	30th April	0.66	Expansion and diversification
Sukhchain Oils	E	5th May	0.59	Expansion and diversification
Ledo Tea	E	6th May	0.59	Extension of area under tea cultivation
Empire Finance	E	12th May	2.00	Working capital requirements
United Phosphorous	E & CD	12th May 12th May	0.70 2.50	Part financing of expansion programme

Note: E = Equity, face value Rs. 10 *CD = Convertible debenture, value Rs. 100*

PEOPLE & PLACEMENTS



C.N.S. SHASTRI has been appointed managing director of the General Insurance Corporation of India.



HARI SHANKAR SINGHANIA has been elected president of the All India Marwari Federation for 1986-88.



M.P. SHUKLA has taken charge as managing director of Mahanagar Telephone Nigam Ltd.



G.S. DUTT has been appointed director (personnel) of Indian Oxygen Ltd.



STANLEY PINTO has been appointed chief executive of Lintas Indonesia.



SUMATI MORARJEE has been re-elected chairperson of the Scindia Steam Navigation Co. Ltd.



S. M. KULSHRESTHA has been appointed additional director general of the India Meteorological Department, New Delhi.

Stay the course

Equity shares listed on all the stockmarkets in the country were in much better shape during the first half of April after a somewhat longish bear phase which was triggered off by the Finance Bill, 1986. In the wake of the United States' air strikes on Libyan cities around the middle of April, stockmarket men feared that the confrontation would escalate into an all out war on Libya which would inevitably disrupt vital West Asian supplies of oil.

As a consequence, price trends on the Bombay stock exchange were somewhat subdued on 17th April, the last day of trading during the week ended 19th April, after equity values had made a substantive recovery from the levels that prevailed on 21st March. This latter date was the last occasion on which the *BusinessWorld* portfolios drawn up on this page were monitored(*BW* March 31-April 13, p. 79).

As I had pointed out at that time, the two *BW* portfolios — portfolio A, drawn for steady income with some prospects of capital appreciation, and portfolio B, for capital appreciation *per se* — which had just been reconstituted, incurred substantial losses of about Rs. 2,000 in their aggregate value in the wake of the presentation of the budget. However, by 17th April, both the portfolios had recovered to the levels that had prevailed on 21st February — the day on which they had been reconstituted.

The recovery would have been more impressive if market sentiment had not been adversely affected by the US air raids on Libya. Indeed, the prices of all the scrips constituting the two portfolios on the Bombay stock exchange on the 17th April were substantially lower than they were on the previous day. The loss was particularly sharp in respect to the Hindustan Lever scrip in portfolio A, which lost ground to Rs. 144 on 17th April from Rs. 158 on the previous day.

PORTFOLIO A
For steady income

	Yield*	No. of shares	Purchase price	Amount invested	Market value 21st March 1986	Market value 17th April 1986
IDL Chemicals	4.0%	20	65	1,300	1,300**	1,350**
Garware Marine	3.0%	100	25	2,500	1,650**	1,550**
Larsen & Toubro	1.5%	20	189	3,780	3,264**	3,764**
Garware Polyester	1.9%	50	97	4,850	3,700	4,250
Hindustan Lever	1.6%	50	152	7,600	6,400	7,200
Total investment and market value				20,030	16,314	18,114

** Based on last recommended dividend. ** Includes dividend income.*

PORTFOLIO B
For capital appreciation

	No. of shares	Purchase price	Amount invested	Market value 21st March 1986	Market value 17th April 1986
Samtel	50	195	9,750	6,625	7,125
Larsen & Toubro	30	189	5,670	4,896*	5,646*
MICO	5	745	3,725	3,050	4,075
Total investment and market value			19,145	14,571	16,846

** Includes dividend income.*

Expectations belied. Admittedly, HLL's equity prices on the BSE suffered, also because expectations of a further dilution of its foreign equity holding were belied when the company's chairman A.S. Ganguly made no mention about a dilution at the time of the presentation of the company's results for 1985-86 even though he indicated that the company plans to undertake a massive Rs. 500 crore investment over the next few years. But the prospects of Hindustan Lever offering yet another chunk of its parent company's shareholdings to local shareholders at favourable terms are not wholly discounted. When these materialise, HLL's equity will appreciate in a big way, though some escalation can be anticipated on account of the company's fresh investment plans which are directed at fast moving consumer items and will augment the company's commanding position in the market.

There isn't anything particularly noteworthy about the other portfolio scrips, although Samtel's scrip appears to be somewhat depressed because of the delays in the announcement of results of the company. The Samtel management's silence about how the increased rates of excise duty on television sets would affect the market for the Samtel TV tubes added to the confusion in the minds of marketmen about the prospects for the scrip. Larsen & Toubro's application for the issue of a 3:5 bonus is pending with the controller of capital issues and the moment it is sanctioned the scrip should appreciate substantially.

It is however comforting that the financial institutions, which late in March returned as buyers of shares on the market and succeeded in stemming the post-budget debacle in equities, had made purchases among others of such *BW* portfolio scrips as Hindustan Lever, Larsen & Toubro and Garware Polyester. The subsequent announcement by the Union finance minister of changes in some of his more objectionable budget proposals, including the decision to drop the proposal to delete section 80M of the Income Tax Act concerning concession on intercorporate dividends, helped equity shares to regain their equipoise.

Open mind. One cannot say for sure whether additional concessions will be given. But the finance minister has said he is keeping an open mind on his budget proposals. Besides, the new Finance Bill is still to be taken up for consideration by Parliament. It is possible that during the course of discussion, the finance minister may decide to amend the proposal requiring companies to refund that portion of the investment allowance corresponding to the interest amount capitalised on loans for investment in plant and machinery.

As this proposal requires the refund of investment allowance credited by companies into their accounts retro-actively from 1st April 1974, any revision of the proposal in favour of companies will favourably affect equity values on the market.

Assuming a steadier trend in equity shares, therefore, the two *BW* portfolios are likely to do better in the near future.

Artymon

Bullish fervour

Equities continued to forge ahead on stock exchanges of the country during the fortnight ended 18th April. The bullish sentiment was aided because of a sharp reduction in contango charges at the turn of the last settlement day. The sharp decline in contango charges was attributed to the unloading of a number of specified shares by the Unit Trust of India.

Reflecting the bullish fervour in equities, the new Bombay stock exchange sensitive index of the equity prices of the market leader scrips increased by 18 points (3.10%) from 589.11 on 7th April to 607.42 on 18th April. Similarly the *Economic Times* index of ordinary share prices moved up from 513.1 to 523.3 (2%) and the *Financial Express* equity index gained 1.54% to 356.99 during the same period.

Iron and steel equities continued to march ahead on sustained speculative support coupled with hectic short covering. As a result, the *ET* index for these scrips jumped by 115.8 points (6.43%) to 1800.7 during the fortnight under review. TISCO, the trendsetting scrip, was in the limelight on account of expectations of encouraging results for the company's year ended 31st March 1985.

Man-made fibres equities also indicated a firm trend in the absence of an increased volume of transactions. Consequently the *ET* index for these scrips moved up from 881 to 898.4 during the fortnight under review. Fertilisers equities ruled firm with the *ET* index for these scrips increasing by 5.92% to 805.6.

In keeping with the general trend of the market, engineering shares exhibited an upward trend on sustained investment inquiries. And the *ET* index for these scrips moved up from 887.6 to 926.2 — an increase of 4.34% — during the fortnight under review. Cotton textiles equities were in good form with the *ET* index for these scrips moving up from 287 to 293.3. "The spate of new issues which have been offered in recent months has blocked up huge funds of the new class of investors. Consequently the velocity of circulation of investible funds has declined by a big margin and barring a few scrips, which are being supported by the financial institutions, a cursory glance at the quotations of various scrips shows that the market is either stagnant or is sliding down gradually. The indications are that the downslide will continue for some time," observes Narendra Dalal, a leading Bombay-based stockbroker to financial institutions.

S. Dhruv

BOMBAY

Name/Industries	1985 Price range High (Rs.)	1985 Price range Low (Rs.)	Dividend per share (Rs.)	Opening 7-4-86 (Rs.)	Closing 18-4-86 (Rs.)	Yield %
1	2	3	4	5	6	7
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	380.00	380.00	3.9
Bombay Dyeing (25)	156.00	63.00	1.75*	86.50	93.50	1.9
Century Spg (100)	1530.00	805.00	24.00*	1350.00	1100.00	1.7
Century Enka (100)	1240.00	600.00	34.00	1060.00	1060.00	3.2
Garware Nylon (10)	64.00	24.50	1.80	42.00	43.00	4.2
Gwalior Rayon (10)	88.00	53.50	2.20	74.00	80.00	2.8
Indian Rayon (10)	144.00	65.00	2.40	120.00	134.00	1.8
JK Synthetics (10)	118.00	51.70	1.50	115.00	118.50	1.3
Mafatlal Ind. (125)	400.00	235.00	22.00	366.25	385.00	5.7
Nirlon (10)	73.00	37.00	2.25*	54.00	51.50	4.4
Reliance Ind. (10)	252.00	121.00	4.00	325.00	336.00	1.2
S I Viscose (100)	285.00	170.00	15.00	173.50	187.50	8.0
Standard Mills (100)	475.00	272.00	12.00	415.00	415.00	2.9
Paper						
Andhra Pradesh (100)	196.00	160.00	20.00	165.00	162.50	12.3
Ballarpur (10)	68.00	43.00	2.20*	58.00	57.00	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	32.50	31.00	6.5
Jayant Paper (10)	28.00	13.50	2.00	20.00	19.00	10.5
Orient Paper (10)	101.00	59.00	2.00	90.00	88.00	2.3
Steel						
Mukand (10)	54.00	21.75	N.A.	38.50	41.00	...
Tata Steel (100)	1255.00	379.50	21.00	1310.00	1400.00	1.5
Zenith Steel (10)	78.00	27.50	2.50	76.00	81.00	3.1
Metal & Alloys						
Bihar Alloys (10)	28.00	8.25	N.A.	18.75	19.50	...
Ferro Alloys (100)	275.00	125.00	12.50	227.00	335.00	3.7
Hindustan Alum (10)	94.00	51.00	1.35*	95.00	92.50	1.5
Mahindra Ugine (10)	49.00	27.00	N.A.	33.00	30.00	...
Engineering						
Antifric Bearings (10)	60.00	21.50	1.40	20.25	20.50	6.8
Associated Bearing (100)	800.00	435.00	20.00	750.00	750.00	2.7
Atlas Copco (10)	72.00	35.00	1.20	74.00	73.00	1.6
Bharat Forge (10)	90.00	29.00	1.80*	60.00	65.00	2.1
Bharat Gears (10)	60.00	27.50	1.80	35.00	35.00	5.1
Blue Star (10)	92.50	32.50	2.00	85.00	90.00	2.2
Elecon (10)	108.00	54.50	1.70	90.00	86.00	2.0
Greaves Cotton (100)	350.00	202.50	17.00*	300.00	275.00	6.2
Hind Lever (10)	128.00	50.75	2.40	148.50	144.00	1.7
Ingersoll Rand (10)	385.00	159.00	3.50	435.00	430.00	0.8
KEC Int. (10)	40.00	24.00	1.25	25.00	25.00	5.0
Kinetic Engg. (10)	380.00	128.00	2.50	96.00	296.00	0.8
Kirloskar Cummins (100)	753.50	500.00	15.00	580.00	586.00	2.5
Kirloskar Oil (10)	36.00	19.50	1.25	16.50	15.50	8.1
Larsen & Toubro (10)	193.00	72.00	2.40	181.00	187.00	1.3
Mahindra & Mahindra (10)	102.00	47.50	1.80*	64.00	64.00	2.8
Otis Elevator (10)	215.00	85.00	2.50	115.00	112.00	2.2
Premier Auto (100)	650.00	310.00	21.00	685.00	812.50	2.6
Pressure Cookers (10)	49.00	25.00	1.90	40.00	38.00	5.0
Tata Engg. (100)	1030.00	408.00	23.00	680.00	685.00	3.4
Voltas (100)	470.00	358.00	10.00*	270.00	265.00	3.8
Automobiles						
Bajaj Auto (100)	2075.00	855.00	30.00	2350.00	2575.00	1.2
Bajaj Tempo (10)	280.00	143.00	2.50	135.00	116.25	2.2
Escorts (10)	102.00	46.75	2.20	84.00	96.00	2.3
Motor Industries (100)	815.00	321.25	15.00	760.00	815.00	1.8
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	210.00	210.00	4.8
Bajaj Electricals (100)	340.00	115.00	20.00*	580.00	580.00	3.4
Bharat Bijlee (100)	300.00	105.00	18.00	440.00	420.00	3.8
Crompton Greaves (100)	350.00	257.50	10.00	280.00	280.00	3.6
Peico Electronics (10)	103.00	38.50	2.00	55.00	56.00	3.6
Siemens India (10)	87.50	38.00	1.40	86.00	78.00	1.8
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	51.00	50.00	24.0
Bayer (100)	480.00	320.00	18.00	515.00	535.00	3.4
I.E.L. Ltd. (10)	80.00	32.70	2.00	74.00	74.00	2.7
Colour-Chem (100)	335.00	185.00	12.00*	262.50	270.00	4.4
Cynamid (10)	80.00	35.00	25.00*	71.00	73.75	33.9
Glaxo (10)	75.00	23.75	1.80	73.00	68.00	2.6
G S F C (100)	896.00	534.00	24.00	1420.00	1530.00	1.6
Herdillia Chem (10)	67.00	25.50	1.80	44.00	43.00	4.2
Mafatlal Dyes (10)	33.00	23.50	1.70	25.00	29.00	5.9
Mangalore Chem (10)	50.00	19.50	N.A.	59.00	58.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	300.00	310.00	5.2
Indian Organic (10)	141.00	50.25	18.00*	72.00	75.00	23.8
Pfizer (10)	100.00	39.00	2.00	85.50	93.00	2.2
Polychem (50)	181.00	60.00	10.00	115.00	115.00	8.7
Sandoz (10)	80.00	31.00	1.40	74.50	73.00	1.9
Sandvik Asia (100)	575.00	340.00	10.00	675.00	685.00	1.5
Tata Chem. (10)	155.00	64.50	2.50	106.50	116.00	2.2
Warner Hind (10)	75.00	36.00	2.50*	72.50	75.00	3.3
Zuari Agro (10)	94.00	46.00	2.25*	91.00	93.00	2.4
Shipping						
Chowgule (10)	16.50	5.00	N.A.	7.75	8.00	...
Great Eastern (10)	34.00	14.25	0.70	25.00	23.50	3.0
Scindia (20)	21.50	7.00	N.A.	9.50	9.25	...

BOMBAY Name/Industries	1985 Price range High	Low	Dividend per share	Opening 7-4-86	Closing 18-4-86	Yield
1	2 (Rs.)	3 (Rs.)	4 (Rs.)	5 (Rs.)	6 (Rs.)	7 %
Cement						
A C C (100)	610.00	380.00	20.00	254.00	251.00	8.0
Digvijay Cement (100)	230.00	180.00	20.00	200.00	200.00	10.0
Mysore Cement (10)	48.00	30.00	1.75	35.00	37.00	4.7
Rasci Cement (10)	60.00	31.00	1.80	36.25	37.00	4.9
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	202.50	200.00	8.0
Blow Plast (10)	122.00	44.00	2.50*	105.00	113.00	2.2
Colgate (10)	318.00	143.50	7.00*	230.00	222.50	3.1
East India Hotels (10)	53.00	25.50	2.00	50.00	46.00	4.3
Garware Marine (10)	33.00	14.00	1.40*	16.00	14.00	10.0
Gujarat Alkali (10)	65.00	38.00	2.50	56.50	60.00	4.2
Harri Malayalam (10)	76.00	38.00	2.50	51.00	53.00	4.7
Indian Hotels (10)	135.00	77.00	2.50	137.50	140.00	1.8
I.T.C. (10)	59.80	29.00	2.25	72.50	74.00	3.0
Lohia Machine (10)	85.00	43.50	2.00	56.00	49.00	4.1
Ponds (10)	218.00	103.00	4.50	240.00	235.00	1.9
VST Ind (10)	38.50	21.00	2.30	30.00	31.00	7.4
Wimco (10)	71.00	38.50	2.00	67.00	66.00	3.1
CALCUTTA						
Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	17.25	16.50	6.1
J. K. Cotton (10)	64.00	18.00	1.20*	60.00	72.00	1.7
Kesoram Ind (10)	85.00	52.00	2.35	81.00	83.00	2.8
Jute						
Birla Jute (10)	105.00	51.50	1.85	50.00	48.50	3.8
Reliance (10)	—	—	1.75*	49.00	48.00	3.6
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	100.00	96.00	2.3
Indian Oxygen (10)	66.30	42.75	2.00*	60.50	55.25	3.6
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	20.75	20.75	7.2
Guest Keen (10)	35.25	20.00	0.50	19.60	18.75	2.7
India Foils (10)	78.00	38.75	2.00*	74.00	79.00	2.5
Macneil Magor (10)	250.00	127.00	12.00	44.50	35.75	33.6
Metal Box (10)	25.00	11.50	0.80*	19.25	18.00	4.4
Union Carbide (10)	38.00	16.75	0.50	35.50	32.50	1.5
Usha Martin (10)	48.00	26.00	1.60*	37.50	37.00	4.3
Tea						
Basmatia (10)	44.75	35.25	3.00	38.75	25.00	12.0
Brooke Bond (10)	83.00	46.50	2.50	94.00	90.00	2.8
Tata Tea (10)	177.00	64.00	5.00*	118.00	122.00	4.1
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	112.00	110.00	1.6
Davy Ashmore (10)	30.00	18.25	1.50*	29.62	28.56	5.3
English Elec (10)	114.00	70.00	3.50	102.00	112.00	3.1
Hindustan Motors (10)	127.00	37.10	2.00	55.00	56.70	3.5
Remington Rand (10)	80.00	36.50	2.00	39.75	39.70	5.0
Uni Cables (10)	65.00	26.50	1.50	75.00	72.00	2.1
DELHI						
Amrit Banaspati (10)	48.00	15.00	1.20*	35.00	35.00	3.4
D C M (25)	82.00	48.25	3.75	42.50	38.25	7.8
Escorts (10)	102.00	45.75	2.20*	84.00	98.00	2.2
Goetze India (10)	61.00	21.00	1.80*	52.50	53.00	3.4
Jagatjit Cotton (10)	—	—	1.40*	90.00	80.00	1.8
Kelvinator (10)	105.00	49.00	1.60	72.00	74.00	2.1
Modi Industries (10)	87.00	16.50	1.80	42.00	42.00	4.3
Prakash Tubes (10)	24.50	18.00	1.50	N.A.	22.00	6.8
AHMEDABAD						
Anil Starch (100)	225.00	147.00	18.00	240.00	240.00	7.5
Aruna (100)	200.00	105.00	15.00*	132.00	125.00	12.0
Atul Prod. (100)	667.00	311.50	20.00	523.00	496.00	4.0
Bharat Vijay (100)	255.00	167.50	10.00	162.00	220.00	4.5
Calico (125)	235.00	108.00	N.A.	94.00	99.00	...
Cellulose Prod. (100)	—	—	8.00*	88.00	90.00	8.9
Guj. Steel (100)	300.00	140.00	15.00	242.50	237.50	6.3
Mafatlal Ind. (100)	390.00	235.00	22.00	415.00	415.00	5.3
Vallabh Glass (100)	275.00	105.00	22.00*	110.00	105.00	21.0
MADRAS						
Aluminium Ind. (10)	17.00	5.00	1.50*	7.30	8.25	18.2
Amrutanjan (10)	—	—	3.50	105.00	111.00	3.2
Andhra Cement (10)	—	—	1.50	25.50	25.00	6.0
Ashok Leyland (10)	58.00	25.00	1.80*	31.75	31.00	5.8
Enfield India (10)	101.00	45.00	2.00	59.00	59.00	3.4
Indian Cement (10)	46.00	20.00	2.00	29.25	29.50	6.8
Kothari Ind (10)	34.50	19.00	1.20*	17.75	15.25	7.9
Madura Coats (10)	69.00	27.25	2.50	N.A.	88.00	2.8
Mysore Lamps (10)	84.00	40.00	2.50	78.00	74.00	3.4
Textool (100)	265.00	182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 7th April and 18th April
ACC(100)	+ 2.00
Asian Paints(10)	+ 10.00
Bajaj Auto(100)	+200.00
Bayer(100)	+ 20.00
Baroda Rayon(100)	+ 20.00
Bihar Alloys(10)	+ 1.50
Bombay Dyeing(25)	+ 9.50
Century Spinning(100)	+ 45.00
Deepak Fert(10)	+ 1.50
Garware Polyester(10)	+ 4.00
GNFC(10)	+ 4.50
GSFC(100)	+115.00
Gwalior Rayon(10)	+ 6.00
Hind Motors(10)	+ 2.00
Indian Organics(10)	+ 3.00
Indian Rayon(10)	+ 12.00
Indrol(10)	+ 15.00
JK Synthetics(10)	+ 2.50
Larsen & Toubro(10)	+ 7.50
Mahindra & Mahindra(10)	+ 3.00
Modi Rubber(10)	+ 8.00
MICO(100)	+ 75.00
Mukand(10)	+ 4.00
Nirlon(10)	+ 0.50
Orkay(10)	+ 7.00
Reliance(10)	+ 13.00
SPIC(10)	+ 0.50
Tata Chemicals(10)	+ 8.50
TELCO(100)	+ 5.00
TISCO(100)	+ 90.00
Zenith(10)	+ 6.00
Zuari(10)	+ 1.00

Losers	Between 7th April and 18th April
Andhra Cement(10)	– 1.00
Ashok Leyland(10)	– 3.50
EI Hotels(10)	– 4.00
Food Specialities(10)	– 9.00
Glaxo(10)	– 3.00
Hind Alu(10)	– 2.00
Hind Lever(10)	– 6.00
Hoechst(100)	–10.00
JB Chemicals(10)	– 2.00
Metal Box(10)	– 0.50
NOCIL(100)	– 7.50
Photophone(10)	–10.00
Standard(100)	–10.00
Voltas(100)	– 5.00
Wimco(10)	– 1.00

Indian commodity prices

Commodity	Variety/Centre	1985 High	1985 Low	Prices as on April 4, 1986	Prices as on April 18, 1986
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	290.00	275.00
Rice	Sela-Hapur	319.00	261.00	287.50	289.50
Gram	Desi-Bombay	607.50	437.50	482.50	487.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	654.00	620.00
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	16,408.00	13,962.00	15,860.00	16,120.00
Mustard (tin)	K-Ghani-Delhi	197.50	174.50	196.00	196.00
Coconut	Cochin	31,750.00	14,700.00	16,850.00	19,000.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,800.00	5,700.00
Angles	75x75x6mm	6,900.00	5,550.00	6,600.00	6,400.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,510.00	4,600.00
Lead	Bombay	1,265.00	1,210.00	1,400.00	1,460.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,500.00	1,950.00	2,600.00	2,800.00
Re-rollable	Bombay	4,325.00	3,275.00	4,250.00	4,275.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	175.00	180.00
Caustic	Flakes	385.00	300.00	395.00	380.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	61.00	60.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on April 4, 1986	Prices as on April 18, 1986
Gold	London	US$/ounce	333.90	340.75
	Zurich	US$/ounce	333.80	340.50
	Hong Kong	US$/ounce	334.60	340.80
Silver	New York	Cents/ounce	533.00	540.50
Copper (w.bar)	London	£/tonne	984.00-987.00	954.00-956.00
Soyabean oil	Chicago	Cents/pound	18.63	18.50
Palm oil	Malaysia	$/tonne	540.00	835.00
Castor oil	Rotterdam	$/tonne	870.00	860.00
Black pepper	Singapore	$/quintal	805.00	825.00
Rubber	Malaysia	$/tonne	201.00-203.00	202.00-204.00

Steel prices nosedive

A marked decline in iron and steel prices provided the main feature of trading in the Indian commodity markets during the fortnight ended 18th April 1986. Price fluctuations in respect of other commodities were narrow due to restricted trading.

Steel. Iron and steel prices nosedived by Rs. 200-300 a tonne on account of unloading by stockists, prompted by the refusal of the Union government to effect any hike in steel prices at this juncture. Traders who were sitting tight on their stocks in anticipation of New Delhi's green signal for a hike in prices, turned eager sellers in the wake of the official veto of the move to raise steel prices.

Foodgrains. The permission granted to flour mills to buy wheat from the open market failed to boost market sentiment in respect of wheat and in fact prices of cereal tended to move down under pressure of arrivals. Rice prices were quiet. Among pulses, imported items exhibited a firmer trend on account of a shortage of supplies.

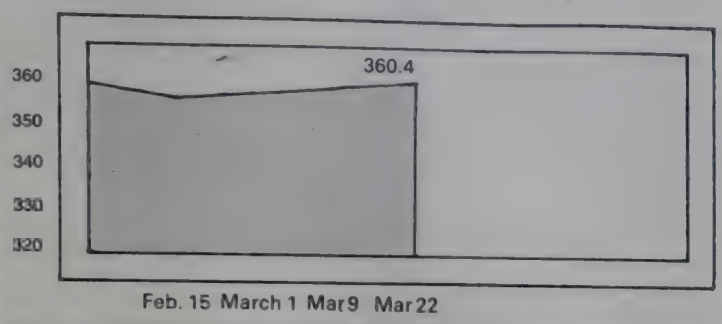
Oilseeds, oil. Edible oil prices moved up on better demand. The official permission granted to vanaspati units to purchase up to 10% of their oil requirements from the market buoyed the market sentiment. Coconut oil prices also recovered moderate ground on account of large-scale purchases of *copra* by a Kerala state agency.

Sweetening agents. Sugar prices backtracked moderately following several auctions of imported sugar held by the Food Corporation of India during the fortnight. *Gur* prices ruled steady to better.

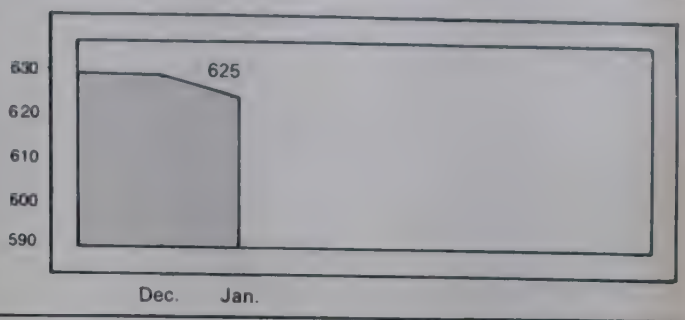
Non-ferrous metals. Copper prices moved up by about Rs. 90 a quintal due to shortage of supplies and better demand. This was inspite of the fact that prices of the metal had recorded a marked decline on the London Metal Exchange.

Cement. Cement prices remained depressed on account of rising production and almost static demand..

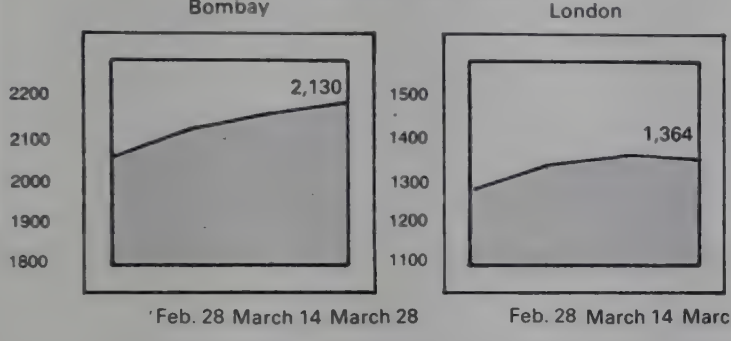
Wholesale Price Index (1970-71=100) 1986



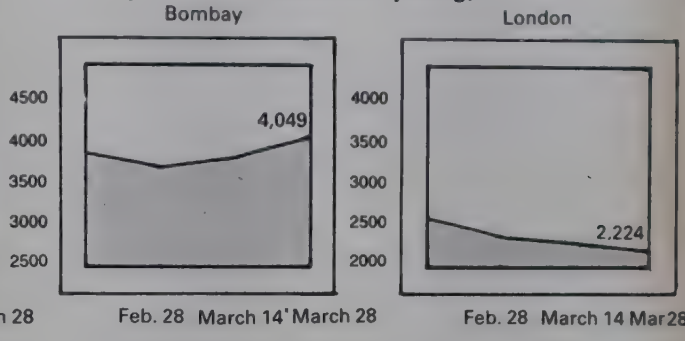
Consumer Price Index for Industrial Workers (1960-61=100) 1985



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 15th April 1986

	One month	Three months	Six months	One year
Sterling Pound	10.81	10.31	9.88	9.63
US dollar	6.94	6.94	6.81	6.88
West German Mark	4.63	4.50	4.50	4.44
Japanese Yen	5.06	4.88	4.75	4.81

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 March 22	1986 March 21
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

***Money Supply (M3)**	**(Rs.crores)**	**% change over**	
March 14, 1986	1,16,923	Fortnight	+ 0.4
February 28, 1986	1,16,404	Year	+15.9
March 15, 1985	1,00,903	Two years	+37.0

**** Aggregate Deposits**	**(Rs.crores)**	**% change over**	
March 14, 1986	86,762	Fortnight	−0.6
February 28, 1986	87,242	Year	+18.4
March 15, 1985	73,257	Two years	+47.0

***** Foreign Exchange Reserves**	**(Rs.crores)**	**% change over**	
March 14, 1986	4,855	Fortnight	+2.1
February 28, 1986	4,792	Year	−7.2
March 15, 1985	5,276	Two years	+5.8

Bank Credit	**(Rs.crores)**	**% change over**	
March 14, 1986	79,472	Fortnight	+0.7
February 28, 1986	78,912	Year	+13.9
March 15, 1985	69,787	Two years	+34.7

Foreign Exchange Rates (Spot) 1986
Buying Rs.

	1986 March 27	1985 March 29
One P. Sterling	18.21	15.41
One US Dollar	12.33	12.27
One D. Mark	5.29	4.00
One hundred J. Yen	6.85	4.92

CSO Index of Industrial Production (1970 = 100) 1985

March	216.9	September	201.2
April	191.6	Octobert	202.4
May	193.6	November	206.0
June	192.6	December	222.0
July	198.5	**1986**	
August	196.5	January	224.0

Notes:
* *Comprises currency with the public plus deposit money of the public plus time deposit with banks*
** *Demand deposits plus time deposits with all scheduled banks*
*** *Including SDRs, excludes gold coins*

Tata Tea's shopping list

With tea prices continuing to rule firm, fund-flush tea companies are rapidly diversifying their operations not only for growth purposes but also to save tax. However, the largest of them all, Tata Tea Ltd. (sales: Rs. 195.79 crores in the year ended 31st December 1984) has stubbornly stuck to its knitting. But its huge annual income tax burden (Rs. 32.45 crores in 1984) has compelled the company's management to seek ways and means to review its affinity for sticking to the tea growing and processing business.

And one tax reduction option which the Tata Tea top managers (who seem to have a lot to hide since they consistently refuse to talk to *BusinessWorld*) are looking at, is the takeover of ailing companies with huge losses which could be written off under s.72A of the Income Tax Act, 1961. Among the companies in the Tata Tea short list: the Tata managed Ahmedabad Advance, the Bihar-based Rohtas Industries and Shree Vallabh Glass Works Ltd. Recently their attention has been drawn towards the ailing Mysore-based Vikrant Tyres (sales: Rs. 70.61 crores in the year ended 31st March 1985), a joint sector company, which has been in the red for many years.

In the meanwhile, reports are filtering in that J.K. Industries is also interested in the ailing joint sector company. May the best company win.

Singh's legacy

At a time when the country's trade gap in fiscal 1985-86 is believed to have crossed Rs. 9,000 crores, the Union commerce ministry upon which the task of formulating the national export strategy has devolved, is in a shambles.

The ministry has had no less than five ministers in the last two years and the present incumbent P. Shiv Shankar is believed to have little time for work relating to the ministry. In addition, Shiv Shankar's views are reported to be at variance with those of Vinod Pande, secretary of the ministry. According to reliable reports in New Delhi, top level bureaucrats in the ministry spend all their time preparing "notes" which are rarely read and seldom acted upon.

In particular, former Union commerce minister and incumbent finance minister V.P. Singh is reported to have left behind a mess in the commerce ministry. According to insiders within the ministry, Singh has inducted a coterie of IAS personnel from the Uttar Pradesh cadre into the key bureaucratic positions in the ministry, the main criterion for their selection reportedly being puritanism in their personal lives (vegetarianism, abstention from alcohol, etc.), rather than ability.

In addition, no steps have been taken to fill vacancies in such key positions as additional secretary (agricultural exports) despite the fact that 60% of India's export revenue is derived from agro industries. This position has remained vacant for over three years and the so-called passbook scheme announced in the Exim policy last year remains a dead letter.

Quite obviously it takes more than inspiring rhetoric and good intentions to lend momentum to the national export drive.

Somaiya divestitures

These are troubled times for the Somaiya group of companies headed by the Bombay-based Dr. S.K. Somaiya. Recently, management control of a Somaiya group company, Oriental Power Cables Ltd. (OPCL — sales: Rs. 11.30 crores in the year ended 30th November 1983), has been taken over by the Calcutta-based Nicco group of companies, which is emerging as a big name in the power cables manufacturing industry.

This arrangement has the full backing of the public sector financial institutions to whom the deep-in-the-red OPCL owes a massive sum of Rs. 17 crores. The company's accumulated loss reportedly aggregates Rs. 5 crores against its net worth of Rs. 1 crore. Under the arrangement the project's price representing the Somaiya family's 20% equity stake in OPCL will be paid directly into the company and will be paid to the Somaiyas over a period of 10 years.

Another Somaiya group company which is reportedly in trouble is Somaiya Organics which suffered a major industrial explosion earlier this year as a consequence of which heavy claims for damages are likely to be payable. And last but not the least, the Somaiya family's controlling interest in another Somaiya group company, the Ahmedabad-based Testeels Ltd. (sales: Rs. 25.19 crores in the 18 months ended 30th September 1984), is also on the auction block. Negotiations are reportedly being conducted with the management of Gannon Dunkerly & Co. controlled by the Morarka family which has internal problems of its own.

Emerging pattern

With the Union government having taken the decision to award the licence to promote the massive Indo-Gulf Fertiliser project to Aditya Birla, a pattern is emerging in the government industrial licensing policy for capital intensive projects.

According to reliable sources in New Delhi, the powers that be within the Union government have taken the decision to award one such project to each industrial heavyweight from the private sector. This policy decision has reportedly reduced the chances of Aditya Birla being given the industrial licence to promote the Mangalore Refinery project as also of setting up the Salimpur (UP) petrochemical complex in which textile tycoon Dhirubhai Ambani is the front runner.

GPG's latest interest

The Calcutta-based takeover tycoon G.P. Goenka has acquired the 4% shareholding in Nicholas Laboratories India Ltd. (sales: Rs. 18.67 crores in the year ended 30th June 1985) of the company's former chairman, Jehangir P. Patel. The Bombay-based company in which Aspro-Nicholas plc UK holds a 39.95% equity stake is the manufacturer of several drugs and formulations including the well-known pain reliever Aspro and Cleartone soap.

However, all's not been well with this low profile company of late. Last year, the company's factories in Bombay were placed under lockout for a period of almost six months consequent upon prolonged labour trouble. Taking a leaf out of the modus operandi of his more famous brother R.P. Goenka, who acquired a controlling interest in the then locked out National Rayon Corporation, GPG negotiated the takeover of Patel's 58,544 equity shares in Nicholas Laboratories at a price reported to be Rs. 40 per share.

Though for the moment GPG has not moved into the boardroom of the company and R.A. Shah, a partner in Crawford Bayley & Co. — the well known solicitors firm — is the chairman, this is believed to be an interim arrangement. It is only a matter of time before Goenka assumes the position of chairman of the company.

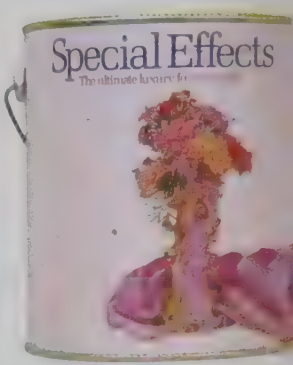


Make room for Special Effects

Special Effects. The Premium Acrylic Emulsion Pain
Transforms the walls of your home dramaticall
Making them stand out. So you discov
an extra dimension to your roor

You'll just love coming home to the excitement of Special Effects, day after day. Its soft splendour will touch your eyes. And you'll see the glimmer of its rich sheen in someone's eyes.

Your walls never had luxury in such a range of new shades. Shades that will make even the rainbow blush. And the magic of Special Effects is so easy to keep.





Special Effects

The ultimate luxury for your walls

Jenson & Nicholso

You just can't beat a BAJAJ



The scooter that's travelled more than 200 times the distance to the sun

It's a long, long way to the sun — 150 million kilometres to be precise! But then again, Bajaj has nearly 2 million scooters on the road today. So even a grossly underestimated 15,000 kms per scooter gives an awesome total of 30,000 million kilometres. Just think of that!

You'll see that Bajaj has come an incredibly long way. Millions and millions of kilometres over every kind of road, through the toughest conceivable conditions.

Ask any of those 2 million Bajaj owners and they'll tell you:

You just can't beat a Bajaj!

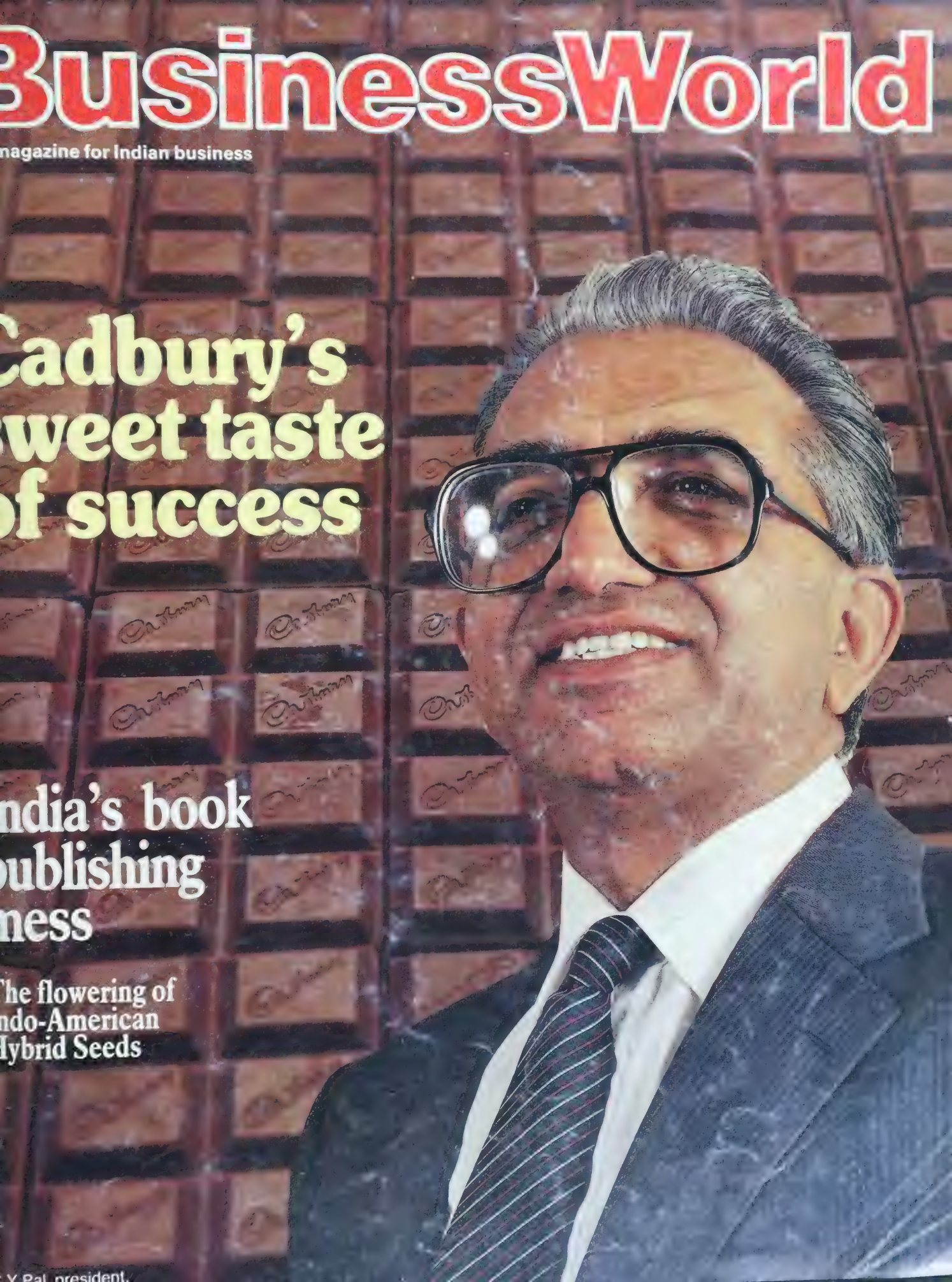
bajaj auto

Akurdi, Pune 411 035

LINTAS BAJ 35 2821

BusinessWorld

magazine for Indian business



Cadbury's sweet taste of success

ndia's book ublishing ness

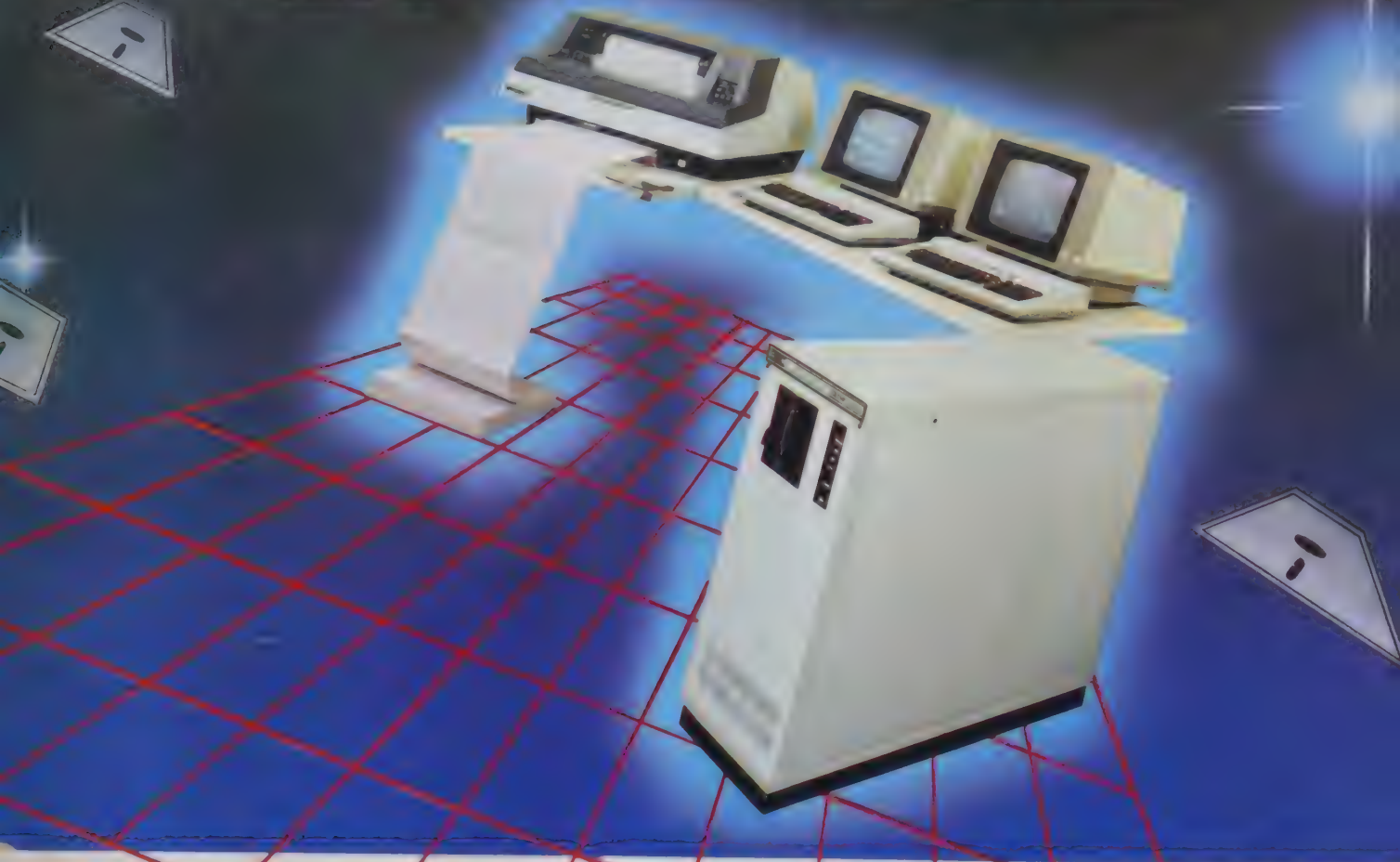
The flowering of ndo-American Hybrid Seeds

Y Pal, president,

The choice of over 40 Companies... within weeks of its introductio

OLYMPIA/32

Incredibly fast ★ Amazingly versatile ★ International Software



The minicomputer you always wanted

Take the power of Intel 80286 super microprocessor. And the versatility of XENIX state-of-the-art timesharing operating system. Add a range of optimized language compilers and UNIFY DBMS package, with performance capabilities unheard of in relational Database. Top it with the capability to communicate with other XENIX and MSDOS systems.

And you get Olympia/32—the minicomputer you always wanted.

We give you much more

A numeric coprocessor—the Intel 80287, 8 megabyte memory, 1200 megabyte on- line disk storage and two high speed printers. Offering exceptional response to upto 13 on-line users. What's more, the MULTOS operating system—proven in 200 Galaxy installations—is also supported on Olympia/32.

And very soon, a dual CPU architecture to give you performance unheard of in systems of this class.

Backed by DCM's trusted support and service

With support and service brought to you through a country-wide network of 35 offices. Proven on the largest minicom-

SPECIFICATIONS

HARDWARE:		
CPU	:	INTEL 80286, with 80287 math coprocessor
Memory	:	2MB, expandable to 8MB
Terminals	:	Upto 13
Storage	:	One 1MB DSDD Floppy drive and a choice of upto 4 winchester drives of 86MB or 160MB capacity Streamer tape drive
Backup	:	A choice of upto two, 20OMB DC Cartridge or 300/600
Printers	:	lpm line printers
SOFTWARE:		
Operating System	:	XENIX 3.0
Languages	:	BASIC, COBOL, FORTRAN, PASCAL, C
DBMS	:	UNIFY relational Database with SQL
Communications	:	With other XENIX and MSDOS based systems
Utilities	:	Line/Screen/Stream Editor, SORT, MERGE, Backup Text processor and many others



Olympia/32 —the fastest minicomputer in its class

For more details contact
Ms Nita Lal
Product Manager (Large Systems)
DCM data products Vikrant Tower
4, Rajendra Place New Delhi 110 008
Tel: 5719967, 5715569 Cable: 'DECEMDEPE'
Telex: 031-61830

DCM data products

Technology supported by service

BusinessWorld

VULUME, 6 ISSUE, 4, MAY 12–25, 1986

BusinessWorld

the magazine for Indian business

Editor
Dilip Thakore
Assistant Editors
Debjani Sinha
Michael Neri
Special Correspondent
Binu S. Thomas
Calcutta
Special Representative
Sujoy Gupta
Delhi
Anand P. Raman
Bangalore
N. Raghavan
London
Seetha Kumar
Sub-editor
Indira Khanna
Art Director
Bipul Guha
Production
Mohan Nair
Layout
Mohan Nair
Hajoo Aslam E.

☐Editorial office
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone: 221178 & 241083

☐Head Office & Regd. Office
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700 001
Telephone 278000 & 274880
☐Regional Offices
Bombay
145, Atlanta
209, Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone 240581, 241083

Delhi
1/7 IENS Bldg
Rafimarg
New Delhi-1
385401 Ex. 37
383058 (Editorial)
Phone 389078 (Advtg)

Madras
Dents Garden, 18, Pattulos Road,
Madras 600 002
Phone 89379 & 81713

Bangalore
14, Madras Bank Road
4th Floor,
Bangalore 560 001
Phone 568227 & 568228

London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC 4
Telephone 01-353-1821

Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

Why not save 20%.

Money back guarantee

We are confident you will enjoy **BusinessWorld.** Confident enough to refund your entire subscription within two months if you are not satisfied.



Send me the following issues of

BusinessWorld
the magazine for Indian business



My cheque is enclosed

Mail my copy to _____

Name _____

Address _____

State _____

Pin code _____

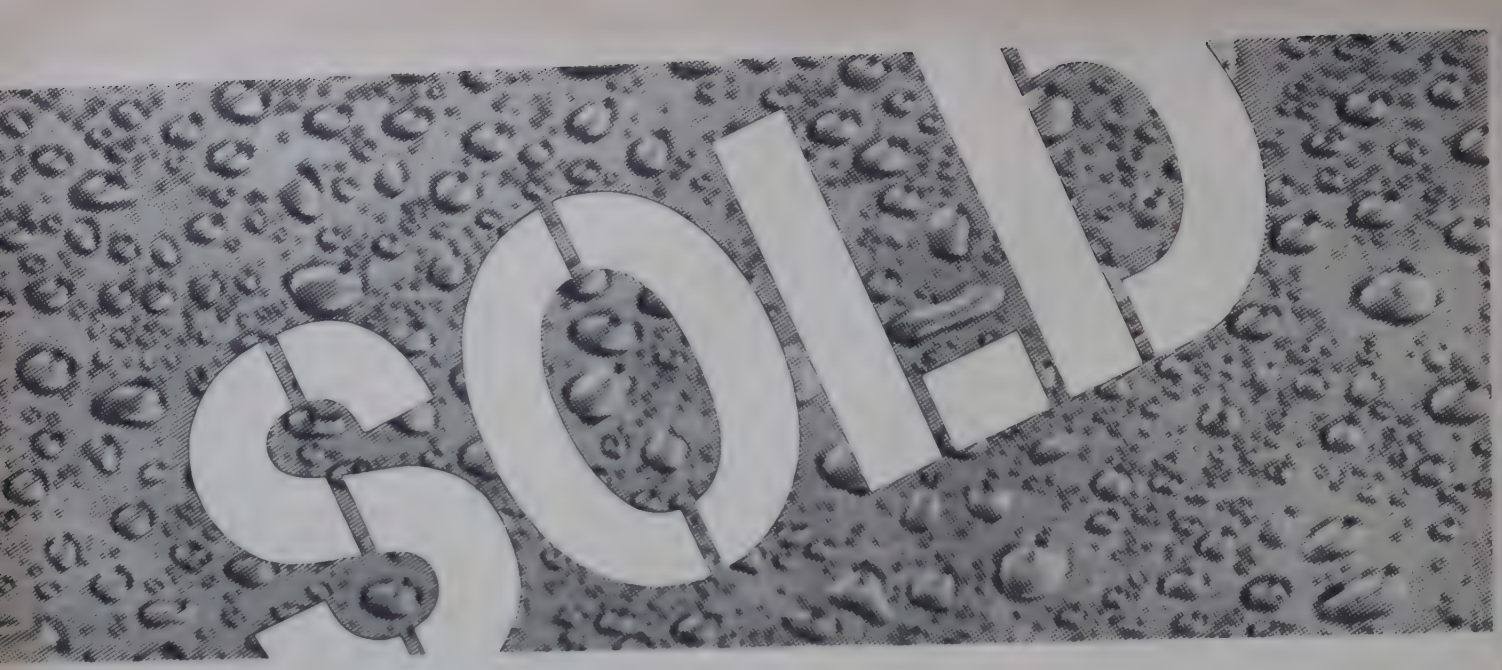
Subscription Rate (In India)

One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

Please draw cheque in favour of
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700 001

Rs 3 extra for outstation cheques

Please tick
☐ One Year
☐ Two Years
☐ Three Years



The better they are made the faster they go!

Tushar Water Coolers.

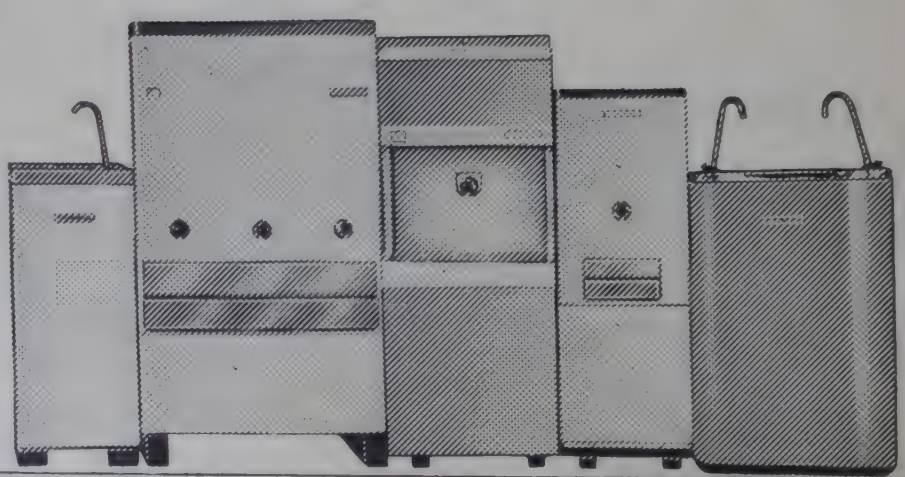
There's always such a rush for Tushar Water Coolers every summer, that quite a few people get left out in the cold (or heat!). That's when they have to go without the Water Cooler that quite obviously spells reliability and durability.

And would you believe that its wide range and its perfect blend of elegance and performance can lead to disappointment for some people? Why? Simply because these qualities are responsible for the rapid sales of Tushar Water Coolers.

So make sure it doesn't happen to you this summer!

Voltas Tushar Water Coolers.

The refreshing respite.



VOLTAS LIMITED
Appliances Business Group,
19, J.N. Heredia Marg,
Ballard Estate,
Bombay 400 038.

CLARION/B/V/72/254

BusinessWorld
May 12—25, 1986

Writing a feature-length story on a consumer goods manufacturing company is usually an easier and more pleasurable exercise than writing about an industrial products company. The fact that consumer goods are more widely used and advertised and are more visible on retailers' shelves undoubtedly contributes to this feeling. In particular, the belated dawning of the television age has provided an ideal advertising medium for a sizeable number of consumer product manufacturing companies. And their audio-visual appeals through this medium have not only generated interest in their products but in the producers thereof as well.

Indeed it was the company's large and sustained presence on the now ubiquitous small screen which prompted the undersigned to write to the top management of Hindustan Cocoa Products Ltd. (HCPL — better known as Cadbury India), requesting access to its personnel and data for a cover feature. Quite frankly, at the time of writing the letter, one was not inclined to be optimistic about receiving a positive reply. Several less ambitious efforts had been made in the past to focus the spotlight on the company. But it had remained a rock-like bastion of uncommunicative conservatism.

Corporate attitudes towards the media (and its personnel) have quite obviously changed for the better since C.Y. Pal was appointed the first indigenous chief executive of HCPL in January 1983 after having served for five years as the company's technical director. Yet a favourable configuration of external factors has undoubtedly helped to shape the now more confident and less media-shy attitude of the company.

For one, the chocolate manufacturing industry has been delicensed i.e. spared the agony of having to apply for government permission to expand production. Second, the demand for chocolates, and to a lesser extent malted milkfoods, is booming. And third, a more level-headed and pragmatic government which does not have an adverse knee-jerk reaction to multinational affiliated Indian companies, is ruling the roost in New Delhi. Consequently this is as good a time as any to project the company.

And though the existence and prosperity of companies such as HCPL makes leftists — who would like to dictate consumer choice down to the last detail — see red, the company has many achievements to its credit. It is usual to criticise companies such as HCPL which manufacture 'inessential' products for an affluent, largely urban minority. Yet it was a revelation to me that in the process of building a raw materials base for itself, HCPL has played a pioneering role in making India a potentially cocoa exporting nation. As a consequence over 1 lakh farmers in south India are improving land usage by interplanting cocoa with coconut and arecanut (*supari*) trees and handsomely augmenting their incomes. In addition, a large number of firms are poised to enter the chocolate and malted milkfoods industry which will generate direct and indirect employment and further boost rural incomes.

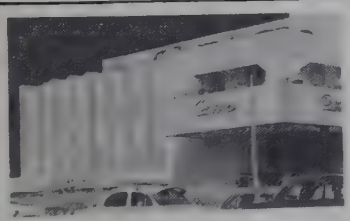
When evaluating the social contribution of such 'luxury' goods manufacturing industries (including the cigarette and tobacco industry) it is also advisable to evaluate the impact of their backward and forward linkages. These weighty considerations apart, for students of the science of business management, our cover story on HCPL also offers insights into highly professional production, marketing and personnel management practices.

This fortnight's spotlight feature is on a subject of much weightier importance than chocolate. *BusinessWorld*'s Delhi-based correspondent Anand P. Raman interviewed a large number of book publishers and has filed perhaps the most comprehensive report ever on the ills that have debilitated the vital knowledge disseminating book publishing industry.

Dilip Thakore

IN THIS ISSUE

Cover transparency by Abhay Tamhane



40 Cadbury's sweet taste of success
The dawning of the television age and success in the marketplace have persuaded Hindustan Cocoa Products Ltd. to lift the corporate veil. *BusinessWorld* reports.

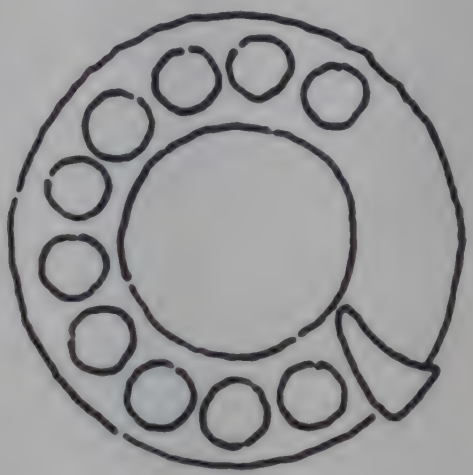


70 India's book publishing mess
On the threshold of its entry into the new information age, the indigenous book publishing industry is enveloped by an all pervading gloom.

13 The price of Congress politics
Arun Gandhi is a former editor of *Imprint*.
14 More equal colossi
Sujoy Gupta is a Calcutta-based management consultant.
25 Managing the trade deficit
Minoo Shroff is a Bombay-based economist and consultant.
28 Corruption proof pre-emption
H.P. Ranina is a well-known Bombay-based advocate.
35 Managing corporate recovery
Tarun Gupta is vice president (pharmaceutical division) of Sandoz (India) Ltd.
58 A matter of concepts
Sushil Bahl is the publicity and public relations manager of Hoechst (India) Ltd.
85 Marcos' kickback
Charles Smith is a correspondent of the *Far Eastern Economic Review*, Hong Kong.
91 An economy under siege
Mary Helen Spooner is a correspondent of the *Financial Times*, London.

5 Editorial
6 Letters to the Editor
9 Last Fortnight/ Next Fortnight
13 Political Comment
14 Banking and Finance
14 Business News
25 Economic Comment
28 Taxation
29 In the News
35 Management
36 Careers
40 Cover Feature
58 Marketing
60 Books
63 Entrepreneurs
70 Spotlight
85 Letter from Tokyo
85 International News
91 Letter from La Paz
94 International Briefs
95 Company News & Events
99 Investment
100 Stockmarkets
102 Commodities
103 Economic Review
104 Offstage

As easy to use as a telephone. And just as indispensable.



Announcing the end of the line for complicated computers.

Hello Chi², hello simplicity.

Chi², the new Personal Computer from Chowgules.

Converse with it in a language simple and human: English. Trust it to run over 5,000 tried and trusted programs: Chi² is IBM PC/XT compatible.

Then look up its specifications. Chi² is simple enough to make computing look like child's play, but it's advanced enough to match costlier and bigger systems in capacity and speed.

Plus an experienced servicing team that's on call, whenever you call.

Sounds perfect, doesn't it?

So go ahead. Dial a telephone and get us on the line.

SPECIFICATIONS:

Microprocessor: 16 Bit, Intel 8088

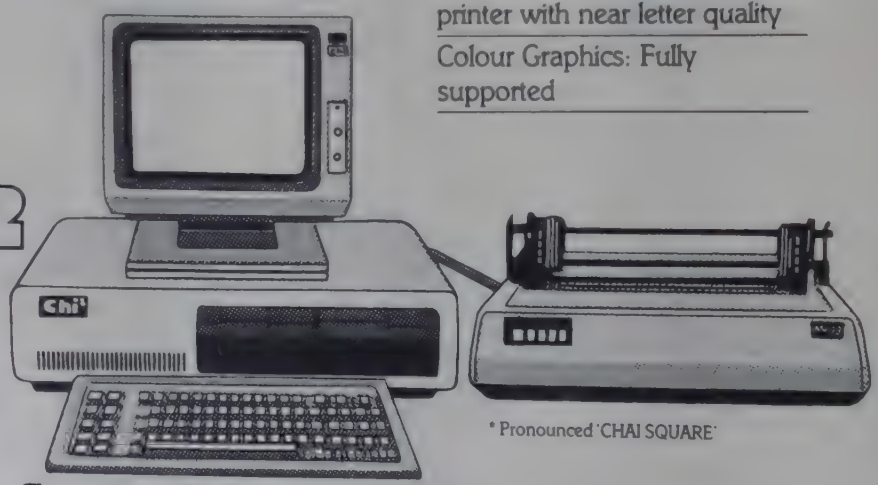
Memory: 256 KByte RAM

Storage Capacity: 360 KByte × 2 on 5¼" floppy (Chi²PC)
360 KByte on 5¼" floppy, plus 10 MByte hard disk (Chi² PC/XT)

Printer: 132 column dot-matrix printer with near letter quality

Colour Graphics: Fully supported

Chi² PC/XT
THE NEW PERSONAL COMPUTER



* Pronounced 'CHAI SQUARE'

So simple because it's so advanced.

IBM is the Registered Trade Mark of International Business Machines Corporation

LINTAS CIL PC 112418

Marketed and Serviced by
CHOWGULE INDUSTRIES LIMITED

Bakhtawar, 4th Floor, Nariman Point, Bombay 400 021. Tel: 2026182
M-3, Connaught Circus, AVG Bhavan, 2nd Floor, New Delhi 110 001

BusinessWorld
May 12—25 1986

The imminent new drug policy: kiss of life or death

The pronouncement on 26th April while addressing the annual general meeting of the Organisation of Pharmaceutical Producers of India (OPPI) by R.K. Jaichandra Singh, Union minister of state for chemicals and petrochemicals, that the Central government intends to present its revised national drug policy to Parliament in the near future, has been received with mixed feelings by managers within the drugs and pharmaceuticals industry. On the one hand there is considerable hope within the industry that drugs and formulations manufacturing firms in the organised sector in particular — which have been shackled for almost a decade by unrealistic and arbitrary price controls — will receive a better deal. On the other, there is also a widespread apprehension within the industry that for populist reasons the changes in the new drug policy may be of a cosmetic nature and may result in tighter and more complex controls being imposed upon it.

The primary consequence of the numerous price, production and other controls piled on the industry is that the drugs and pharmaceuticals manufacturing businesses of the vast majority of organised sector firms have been rendered unprofitable. If these companies continue to record healthy overall profits, it is because they have been rapidly diversifying into other lines of business. It is the profits of these other businesses — typically the manufacture of pesticides and consumer products — which are keeping the big names in the drug industry afloat.

The primary factor behind the precipitous decline of the drug industry in India are the industrial licensing policies of the Union government and the price controls imposed upon the industry under the Drug Prices Control Order (1979). Under the industrial licensing laws of the country, all manufacturing enterprises in the organised sector of the economy — except in specifically delicensed industries — are obliged to obtain an industrial licence from the Union government prior to creating manufacturing capacity. Under these largely discretionary laws, a large number of foreign affiliated drug companies have been denied permission to install new capacity or expand production, though the latter law has been observed more in the breach.

Case-by-case methodology

Even more pernicious is the Drug Price Control Order (1979) under which the wholesale and retail prices of every bulk drug and over 20,000 formulations is dictated by the Union government. This mammoth task has proved to be wholly beyond the physical capabilities of bureaucrats in the Bureau of Industrial Costs & Prices and in the ministry of chemicals who, in an inflationary economic environment, are inundated with applications for drug price revisions.The sheer folly of devising a case-by-case drug price control methodology apart, the manner in which the DPCO has been implemented provides a classic instance of how vast discretionary powers invested in the bureaucracy are inevitably misused.

Be that as it may, the original Drug Price Control Order (1970) which restricted drug manufacturing companies to a 'mark-up' (over ex-factory costs) of 75% on a small number of 17 essential drugs and a 150% mark-up on all other drugs and formulations and/or restricted the gross profits of drug companies to 15% of gross sales turnover was a rational piece of legislation.

But at the fag end of their term in office, the leftists in the benighted Janata government pushed through the Drug Price Control Order (1979) which drastically expanded the list of essential drugs to 181 while simultaneously lowering the mark-up to 40%-55%. All drugs and formulations were divided into four categories: life saving (Category I — mark-up 40%), essential but not life saving (Category II — mark-up 55%), therapeutic adjuncts such as multivitamins (Category III — mark-up 60%-100% discretionary) and over the counter medications and prescription drugs such as anti-depressants and enzymes (Category IV) which are free of price controls. In addition, the overall profitability of drug companies as a percentage of gross sales was restricted to 8%-13%.

The consequences of this over-regulation of this vital industry have been disastrous. The average pre-tax profit as a percentage of sales of the industry plunged from 12.4% in 1979-80 to 6.7% in 1983-84 according to an NCAER study, dipping further to 4% in 1985-86 (OPPI estimate). In addition, the production of bulk drugs and formulations — one of the success stories of the centrally planned Indian economy — fell well short of Sixth Plan targets. And with most drug companies diversifying out of the industry, the imports of bulk drugs in particular have more than doubled in value terms to Rs. 178.41 crores in fiscal 1984-85.

The usual argument trotted out by populist politicians — and more regrettably by fire-breathing members of the fourth estate who tend to wax eloquent on the subject of the alleged high profitability of foreign affiliated drug companies — is contradicted by official statistics. Over the past 15 years while the wholesale price index (1970-71 = 100) rose to 338 in fiscal 1984-85, the drugs and medicines sectoral index rose to 191.6. The modest rise in drug prices over this period presents a curious contrast with the prices of the nationalised coal sector which rose by 542%. True, drug prices are high in relation to prevailing average income levels. But this is less a consequence of the wrong-doings of the drug industry than the Central and state governments which have locked up citizens' savings in public sector white elephants.

Quite obviously the comprehensive production and price controls imposed upon the indigenous drug industry have not worked. On the contrary within an environment in which the state government managed Food and Drug Authorities are in a woeful state of disarray, the Union government's national drug policy has encouraged the growth and proliferation of over 9,000 small sector units. Not only do the vast majority of these units lack suitable technology and adequate quality control and testing facilities, but they are difficult to police as well. Not surprisingly the number of deaths due to the administration of substandard medicines is rising with the passage of time.

Virtues of an acronym

As the Union government puts its final touches on the new drug policy, one cannot entertain the extravagant hope that it has learnt from its past mistakes. But at the very least it would not be inappropriate to advise it to commend the virtues of the acronym KISS (keep it simple stupid) to the bureaucrats who are in the process of shaping the new drug policy. If it fails to convey the importance of this injunction to the *babus* framing the new drug policy, they may well bestow the kiss of death instead on the third world's most developed drugs and pharmaceuticals industry.

Intervention consequences

SIR—Apropos your cover story 'Morals and manners in Indian industry' (*BW* March 31-April 13). If we were to make a detailed factual study of the rot that has set in in our society and is now being used by the statists as an argument in favour of a government controlled economy, it would be found that the actions blamed on businessmen were caused, necessitated and made possible only by government intervention in business. The evils popularly ascribed to big industrialists were not the result of an unregulated industry, but of government control over industry. The villain is not the businessman, but the legislature; not free enterprise, but government controls.

Businessmen are the victims, yet the victims are taking the blame while the guilty parties are using their own guilt as an argument for the extension of their power. And our intellectuals join in the lynching of the scapegoats for the sins of bureaucrats.

Government control of the economy, no matter on whose behalf, has been and will be the source of all the evils and rot in our industries. The solution is *laissez-faire* capitalism, i.e. the abolition of any and all forms of government intervention in production and trade and the separation of the state and economics, in the same way and for the same reasons as the separation of religion and the state.

Balaji Kartha
Madras

Bilbo's claim

SIR—Your recent cover feature on the successful consumer products of the eighties (*BW* February 17-March 2) made very interesting reading. My congratulations to Food Specialities on their successful launching of Maggi noodles in India and on capturing a substantial market share.

We at BHOR Industries Ltd. had introduced in 1981-82 a polyurethane upholstery material under the brand name Bilbo, in an already crowded leather cloth market. Nevertheless the product has not only captured a large part of the market, but has also shown other manufacturers that even costly upholstery material has a tremendous demand, provided it gives the consumer sitting comfort and colour choice.

I was a little surprised that Bilbo was not listed among the successful products of the eighties, since it qualifies for the selection criteria. I realise that your task must have been quite cumbersome and tricky. What you could probably have done was to have asked some of the manufacturers to feed you with information on the launching of their new products in the eighties. Anyway, keep it up *BusinessWorld*.

S. Narayanan
Bhor Industries Ltd.
Bombay

Private sector shortcomings

SIR—I am a regular reader of your widely read and esteemed magazine. I generally read the letter from the editor page first for both enlightenment on new developments and for the realistic opinions expressed on matters deeply concerning Indian business.

In the letter from the editor page of a recent issue (*BW* January 20-February 2), you have quite convincingly stated: "Bred on a diet of three decades of socialist rhetoric and policy, these critics continue to view profit-making enterprises with suspicion and thinly disguised hostility." But what many fail to understand is that the public sector enterprises have provided gainful employment to lakhs of needy citizens together with residential quarters, medical services and to-and-fro conveyance from their residences to their place of work. On the other hand, private enterprises have not considered it necessary to provide humane working and living conditions to their employees.

The social obligation of business is something our captains of trade and industry, barring a few honourable exceptions, seem to be unaware of. Moreover, in the 38 years of mixed economy, one would find that the performance of a majority of the private sector companies has been disgusting. True, the quota permit licence *raj* did hamper capital accumulation and growth, but even the last one year of liberal fiscal and administrative policies does not seem to have created many jobs either.

Vineeta Singh
Nasik

The primary social obligation of all business enterprises including those in the public sector is to generate surpluses for reinvestment. The knowledge that 16 million citizens employed in the public sector are provided with enviable working conditions, is poor compensation to the remaining 704 million citizens whose savings have been invested in the public sector. Only when reinvestible surpluses are created year after year, can a dent in the massive unemployment problem be made.
— Editor

Solutions also, please

SIR—Congratulations to Mr. R.J. Venkateswaran for a well-written economic comment article on the lacunae in commercial intelligence (*BW* March 3-16, p. 21). However, as far as possible, such articles should be accompanied by possible solutions and/or courses of action. This would give a positive aspect to the article and make for more complete reading.

J.S. Daboo
Bombay

IBD not IBH

SIR—We invite your attention to your issue (*BW* April 14-27) which carries the review of *India's Industrialists*, volume I, by Gita Piramal. The footnote says that the revised edition of the book will be distributed by India Book House.

We are the distributors of the revised edition and would appreciate it if a correction to this effect is announced in your forthcoming issue.

Anand Kanekar
General manager
India Book Distributors
Bombay

ORG's pioneering role

SIR—We were surprised to read your business news article titled 'Bouquets for a pioneer' (*BW* March 17-30), in which you have mentioned that the first readership survey was conducted by IMRB.

For your information, the Operations Research Group (ORG) has pioneered readership surveys in India and the first ever readership survey was conducted in 1970 under the stewardship of the late R.C. Bhavsar. Subsequently, the second readership survey was jointly undertaken by ORG and IMRB in 1977-78.

A.N. Vora
Sandeep Gupta
Operations Research Group
Calcutta

Trainees: the other side

SIR—I refer to the anonymous letter 'A trainee's woes' published in the letters to the editor column (*BW* March 3-16).

BusinessWorld
Mar. 12 - 25, 1985

All companies are reconciled to a certain amount of turnover of their employees. But understandably, they would like to keep this to the minimum. When a new employee is taken on, he is inducted in very carefully so that he fits into his job properly. Every employer knows that during the period of induction, the effectiveness of the employee is marginal. The period of induction depends on the calibre of the employee.

The management tries to select employees with the required calibre in the interviews. It also assesses the period of training necessary to acquire knowledge of the job. This process is both time and money consuming. In return for this the company asks for a certain period of association between the employee and the organisation. The employer does not want his company to be used merely as a training ground.

Now for the question about the necessity of upgrading the academic standards in our institutions. In any job there are two components, namely knowledge and skill. Knowledge is taught in the institution and skill is acquired on the job. If this is understood, there is no room for complaint.

Regarding the rules of the company, all employees, including the one signing a bond, should abide by the rules of the company which tend to change from time to time, as otherwise it will be a stagnant company. The bond-signing employee should realise that he is a part of the company and no concessions can be given simply because he has signed a bond.

Regarding the regulations of the terms and conditions of bonds formulated by various companies, the bond is a contract between two willing persons. The writer has made it out to seem that the employer is capitalising on the relatively poor bargaining position of the employee. But it is far from true. He is only trying to safeguard his interest in reducing the turnover of his employees for the sake of continuity. In my experience both as an employee and employer, let me tell you that no employer wants to keep an unwilling horse, bond or no bond.

Regarding patents, no employer can make a claim for them if the employee can prove that he has not availed of the facilities of the company or the knowledge he has gained from the company. These conditions are introduced in the contract in view of the competitive nature of present day business. People can be planted as trainees and technology transferred with the least amount of difficulty and cost. The employer has a right to safeguard his interest.

As far as the anonymous letter writer is concerned, if he is that productive and dynamic an employee, let him not make the mistake of assuming that his present management is against these qualities. No management can afford this, whether in the private or public sector.

M.N. Narasimhan
Shimoga (Karnataka)

Exploitation of the investor

SIR—The tendency to keep public money for months together by private sector companies without paying interest is increasing day by day, and various tactics are employed for the purpose. Apart from the delay in the finalisation of share allotments and the posting of backdated refund orders, a lot of undue advantage is also taken of promoter quota shares booked on full payment, four to six months ahead of a public issue. In many cases this is refunded in part or full without interest if the company's prospects of raising money from the public issue have improved in the meanwhile. Moreover, even fixed deposits are invited on the assurance of a preferential allotment of shares and retained as long as needed and refunded thereafter, pleading an inability to accept the same.

Again, rights issues are meant for existing shareholders, but sometimes the public is also invited to subscribe to them by way of private placements. In most of these cases the refund is sent after four to six months without interest. The companies sleep over public money and do not bother to reply even to the registered letters sent by investors.

It is high time that the government stops such malpractices which amount to exploitation of the investor. Otherwise, this is bound to affect public interest in private sector projects and this in turn will hamper the country's industrial progress.

K.P. Jain
Delhi

Spurious car parts

SIR—I wish to draw the attention of the Union government to the proliferation of spurious spare parts for motor cars. Such parts are available aplenty in the market and car owners are cheated time and again.

The government has not done anything to check the production of these substandard items. As these parts are mostly made by small-scale units, they seem to be given a free hand to use whatever material they like, making good profits out of unfair means adopted so blatantly.

May I ask the ISI authorities what they are doing to stop all this and whether car manufacturers are seriously thinking of making spare parts of good quality with ISI labels attached to them?

Dr. Prahlad Ghosh
Calcutta

Governmental defamation

SIR—In spite of the loud protests by trade and industry over the defamation of industrialists on account of the wide publicity given to departmental tax raids, the government is again making mischief with the public.

Recently, Mr. Kapal Mehra who was kept in police custody for 17 days and refused bail, was acquitted by the Bombay high court. But this has not deterred deputy finance minister Mr. Poojary from releasing a lengthy list of so-called tax evaders, even though their cases have yet to be scrutinised and final judgement is still pending.

There should be a stop to these acts of defamation of trade and industry by the government's high voltage publicity campaign as the concerned persons have to face the public every day. There should be legal restraints on such uncalled for publicity which deserves the fullest condemnation.

Tatya N. Tendulkar
Kolhapur (Maharashtra)

Strange economics

SIR—I had the occasion to go through the latest (1984-85) annual report of Associated Cement Companies (ACC). The company had stated that it has finalised a scheme of modernisation for its Shahabad and Madukkarai plants. I was surprised to notice that the company had estimated an outlay of Rs. 105 crores for its Shahabad plant (involving a conversion of the wet process and the expansion of capacity from 5.45 to 8.25 lakh tonnes per annum). This works out to a much higher cost than that of setting up a new plant. Meanwhile, the Modis' cement plant of 7.5 lakh tonnes has been estimated to cost only Rs. 75 crores.

I wonder what explanation the management of ACC has to offer for this higher cost?

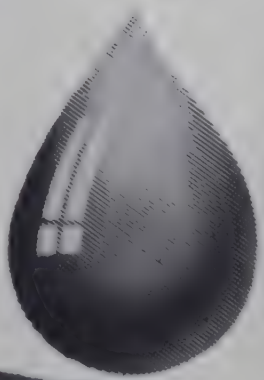
S. Naren
Madras

Before the taste comes out the flavour goes in

It's what makes so many of your favourite products taste so good — foods, soft drinks, ice creams, biscuits, cakes, beverages, syrups, jams, medicines, tonics — you name it, we've flavoured it. What's more, Asian even supplies fragrances for cosmetics and aggarbattis and also creates rare, custom-built flavours for individual products.

As a result of supplying both flavours and fragrances two of the most essential elements of any consumer products, Asian Chemicals naturally plays a vital role in the marketing of products made by reputed manufacturers.

Asian Chemicals have even diversified into food colours, pharmaceutical chemicals and saccharin from basic raw materials.



As the pioneer in its field, Asian Chemicals maintain their reputation for quality and services with the help of a modern R&D laboratory, recognised by the Government of India.

With over 35 years' experience in flavours and fragrances, Asian Chemicals have established a vital equation with major industries today, and a solid base for future growth and prosperity. A prosperity you could share with us, in the months to come.

Manufactured by
ASIAN CHEMICAL WORKS (BOMBAY) PVT. LTD.
'Asian House',
29, Kondivita Village Road,
Andheri (East), Bombay-400 059.
Tel.: 6041112, 6328591.



Just one drop of flavour

ASIAN FLAVOURS

The essence of good taste.

ADMEET

APRIL 19

Tata Exports has reportedly signed an agreement with Pepsico to bottle and market soft drinks made out of Pepsico concentrates in India under a different brand name (*BS*).

The ministerial meeting of the coordinating bureau of the non-aligned countries in a statement issued in New Delhi, called on creditors, debtors, and financial and banking institutions to find a solution to the external debt problem of developing countries (*ET*).

APRIL 20

External affairs minister B.R. Bhagat headed a six member delegation of the non-aligned countries' representatives to Libya to pledge NAM's full support to Gaddafi in the wake of the American bombing of Tripoli and Benghazi.

Air-India's first Airbus A310-300 arrived in Bombay from Toulouse, France.

APRIL 21

The Union government has set up a 23-member development council for iron, steel and special steels, headed by the secretary for steel, R.P. Khosla. (*BS*).

Several trade unions and individuals have reportedly urged the prime minister to secure legal injunctions to prevent Union Carbide Corp., USA, from liquidating its assets (*ET*).

APRIL 22

The extraordinary meeting of OPEC at Geneva resulted in an agreement to cut back crude oil output of member countries from 17.3 million barrels per day to 16.7 million barrels per day (*BS*).

APRIL 23

The government of India announced that it has purchased the British Royal Navy's aircraft carrier *Hermes* for £60 million (*FE*).

The Union government has decided to set up a permanent consultative committee comprising representatives of non-resident Indians from different regions of the world and representatives from Indian industry to review policy measures relating to NRI investments in India (*ET*).

APRIL 24

While tabling the Finance Bill 1986 in the Lok Sabha, Union finance minister V.P. Singh announced a sharp excise cut (Rs. 79 crores) on edible oils and vehicle bodies (only for the small-scale sector) and a customs duty cut of Rs. 2.9 crores on components used in the manufacture of 15 identified categories of medical equipment.

APRIL 25

The income tax officials of the Gujarat circle carried out raids at the residential and business premises of seven leading sharebrokers of Ahmedabad. As a result, there was no transaction in the stock exchange on this day (*FE*).

APRIL 26

The Union government has adopted a long-term export policy for cotton and cotton yarn. According to the policy statement, the currently permitted export quota of 5 lakh bales of cotton and 40,000 tonnes of cotton yarn is proposed to be retained for the next three years (*ET*).

The prime minister Rajiv Gandhi has constituted a high powered nine-member policy advisory committee which will act as a think-tank and analyse major global developments and their implications for India. G.Parthasarathi has been appointed the chairman of the new committee, with cabinet rank (*FE*).

APRIL 27

The Planning Commission approved an outlay of Rs. 68.68 crores for various schemes to be implemented by the department of tourism during the Seventh Plan period.

The former Union finance minister Pranab Mukherjee was expelled from the Congress(I) for six years.

APRIL 28

The Union finance minister V.P. Singh announced certain modifications in relation to the public provident fund scheme. The maximum annual subscription that will be deductible from income for tax purposes has been raised from Rs. 40,000 to Rs. 60,000. The Lok Sabha finally passed the Finance Bill 1986 by a voice vote (*FE*).

APRIL 29

India and the Soviet Union signed a protocol for cooperation in a wide range of sectors such as ferrous metallurgy, non-ferrous metallurgy, machine building, power, oil, coal, computers and electronics, telecommunications, agriculture, irrigation, trade, and science and technology.

APRIL 30

Police and paramilitary personnel entered the Golden Temple complex to clear it of extremists. In June 1984, police forces had entered the complex for the first time to flush out extremist challenge under Bhindranwale.

MAY 1

The Union government has allowed duty-free imports of alcohol for industrial use till 30th November 1986 (*FE*).

The Dal Khalsa and the National Council of Khalistan were declared unlawful organisations and banned with immediate effect by the Union home ministry.

MAY 2

The Asian Development Bank (ADB) has agreed to give India a loan of $100 million (Rs. 120 crores). This is the first ever ADB loan to India (*FE*).

The Union government has announced the issue of three new loans for a total of Rs. 1,200 crores (*ET*).

BS=Business Standard, FE=Financial Express, ET=The Economic Times.

NEXT FORTNIGHT

May 14 to 18, 1986
Operational effectiveness
Venue: Hotel Mandovi, Panjim, Goa (Tel: 4481)
Organisers: Forum of Asian Managers, Bombay

May 22 to 24, 1986
Behaviour modelling for productivity
Venue: CMA auditorium, Calcutta
Organisers: Calcutta Management Association, Calcutta (Tel: 442815)

May 24, 1986
Technological needs of household electrical appliances' manufacturers
Venue: Auditorium of the Federation of Chambers of Commerce, Baroda
Organisers: Electrical Research and Development Association, Bombay (Tel: 220622)

May 24, 1986
Finance for industry
Venue: Hotel Oberoi Towers, Bombay
Organisers: Sheracons Business Associates (Tel: 4943821)

APPOINTMENTS



HMT LIMITED

Requires

SENIOR EXECUTIVES

for some of its manufacturing divisions located in different parts of India. These senior positions call for an ability to run the division/manufacturing unit independently.

Candidates should be Engineering Graduates with 15 to 20 years' experience, with at least 5 years' experience at a senior level. They should be fully conversant with modern production techniques, production planning, finance and human relations.
Preferred age group is 40 to 45 years.

Selected candidates will be offered either the grade Rs. 3000-100-3700 or Rs. 3500-100-4000 depending upon qualifications and experience. Inclusive of all allowances, the total emoluments on the minimum of the scale would come around Rs. 4560/- and 5185/- respectively in 'A' class cities, Rs. 4235/- and Rs. 4810/- respectively in 'B' class cities and Rs. 3960/- and Rs. 4500/- in 'C' and other unclassified cities.Higher salary in the grade may be considered for deserving candidates.

Other benefits include Provident Fund, Gratuity, Conveyance Reimbursement, Medical facilities for self and family, Leave Travel Concession, etc. as per Company Rules.

Aspirants within the Company, fulfilling the above norms, may also apply.

The candidates should apply on a plain paper within 15 days to the Director, Personnel, HMT Limited, 36, Cunnigham Road, Bangalore-560 052 alongwith a crossed Indian Postal Order (non-refundable) of Rs. 15/- (SC-ST candidates are exempted from the Postal Order) payable to HMT Limited, Bangalore.

General Manager, Personnel.

ADWIT/331-86

APPOINTMENTS

Sundram Fasteners Limited

The TVS group is a pioneer in the automotive ancillary industry. It has 18 companies, with total annual sales in excess of Rs. 650 crores.

SUNDRAM FASTENERS, with a turnover of around Rs. 34 crores, is one of the fast growing group companies and is professionalising rapidly. It is the leading manufacturer of high tensile fasteners in the country. It has also diversified into the manufacture of cold extruded and powder metal components.

VICE PRESIDENT

Fasteners Division

Madras **Excellent Terms**

Age : 45-50

The Company is looking for a Vice President to take over as Head of the Fasteners Division from the present incumbent, who will be retiring shortly. This is a profit-centre responsibility, at top-management level, reporting directly to the Chairman & Managing Director. The Vice President will be responsible for Manufacturing, with factories at Madras and Madurai, as well as Marketing, R & D, Materials and all other Divisional functions.

The position calls for a high level of maturity, managerial skills and the ability to guide a team of experienced professionals. Conceptual, analytical and team-building skills are considered essential for this job.

Candidates should have professional qualifications in Engineering or Finance. They should have held senior managerial positions, preferably with profit-centre responsibility, in professionally managed companies. While experience in light/ medium engineering industry is desirable, an impressive track record is essential.

Salary will be commensurate with experience and achievements. Perquisites include company leased accommodation, housing benefits, entertainment and LTA. In addition, the Company provides a car, medical benefits and retirement benefits.

The terms offered by the Company compare favourably with the best industry norms, and will not be a limiting factor in selection.

Applications, giving full details of age, qualifications, experience and salary drawn, should be sent within 10 days to :

Vice President - Corporate Planning & Development,
Sundram Fasteners Ltd.,
Padi, Madras - 600 050.

APPOINTMENTS

BusinessWorld

needs a

Correspondent in Delhi
and one in Bombay

Applicants should be graduates/ post-graduates in economics or business management and have a flair for writing, a sound knowledge of business and the ability to work to short deadlines. Some writing experience is essential and previous experience in industry will be considered an added qualification.

Salaries are generous by publishing industry standards and will be commensurate with qualifications and experience.

Age: between 25-40 years.

Kindly send your application to:

The Editor,
BusinessWorld,
145 Atlanta,
209 Ceremonial Boulevard,
Nariman Point,
Bombay 400 021.

BusinessWorld
May 12—25, 1986

The price of Congress politics

ARUN GANDHI



For a party that is nurtured so heavily on a diet of personalities, some Congressmen mouth a lot of ideological hype. No dissident group has so far been able to make a mark in national politics and if Kamalapati Tripathi and company believe they can split the party on ideological grounds and survive, they are being naive. There are any number of precedents — Morarji Desai's Congress (O), Y.B. Chavan's Congress (S) and A.R. Antulay's Indirawadi Congress — all of which broke away from the parent organisation on ideological grounds and were promptly banished to the political wilderness.

The Congress has a long history of being a party built around personalities. For a long time it was Mahatma Gandhi's Congress, then it was Jawaharlal Nehru's, Indira Gandhi's and now Rajiv Gandhi's. There has never been much room for ideology in the party. But if this is true of the Congress party, it is equally true of almost all the other political parties in the country. Even at the regional level the DMK was Annadurai's party and after his death, for a while it was Karunanidhi's party and after the split the more charismatic M.G. Ramachandran became the undisputed leader of the AIADMK.

In Andhra Pradesh the Telugu Desam depends heavily on N.T. Rama Rao for its unity and survival. Remove him from the scene and the party will meet the same fate that other beheaded parties have. Take the National Conference in Kashmir. It was a strong, united party only as long as Sheikh Abdullah was alive to guide its destiny. Cracks began to show soon after his death.

THREE STALWARTS

Clearly, therefore, ideology has no room in Indian politics. All that a party needs is a charismatic leader with wide enough acceptance. Recall how the Janata party frantically tried to woo Jayaprakash Narayan, Morarji Desai and Charan Singh to lead it? Can anyone say that these three stalwarts, and for that matter the other leaders of the Janata party, were ideologically compatible? They had nothing in common whatsoever, yet they constituted the leadership of the unfortunate party.

Now we are told that the Congress is about to be split because some people led by Kamalapati Tripathi feel that the party is straying away from its ideological course.

Yet there is nothing ideological in the complaint made by Mr. Tripathi. In his letter to the party president, Rajiv Gandhi, he is reported to have complained about the existence of bogus members and the use of money power to influence organisational elections. He was also hurt because he was not kept informed about the activities and decisions of the party, though he is the "working president."

Apart from the fact that there is nothing ideological in the objections he has raised, it is interesting that Tripathi has now raked up the very issues that Mahatma Gandhi had raised in 1939. At that time Gandhiji was as perturbed by bogus membership, corruption and money power in the Congress organisations, as Tripathi is today.

Gandhiji raised these issues in his letters to Subash Chandra Bose — who was then the Congress president — and to Jawaharlal Nehru and finally wrote several articles in *The Harijan,* condemning this practice. His complaints and criticisms did not have any effect on anyone.

What happened subsequently is quite well known. The Congress ignored these problems and allowed them to fester. Tripathi has been a Congressman for much of his 82 years. Does he want the people to believe that he has just discovered the existence of bogus membership and corruption in the organisation? By raising these issues, does he expect to go down in history as a martyr who sacrificed his political career for the sake of honesty and high principles?

If that be so, Tripathi is betraying his ignorance of the history of the Congress party. On the other hand, if he is not ignorant of the long history of bogus memberships and corruption within the party, then one would like to know why he has remained so silent about it all these years? Why has his conscience started pricking only now? It is interesting that most of those who have joined him in his protest are discarded Congressmen who have no future left. They appear to be making a last ditch attempt to salvage their political careers.

Rajiv's reaction also follows the same old pattern. Gandhiji made little impact on the organisation with his complaint. There is nothing on record to show that the same issues were raised by others between 1939 and now. Not only have Congress leaders denied the existence of corruption and malpractices in the government, but also in the organisation. Rajiv will do the same.

NEW BROOM

Perhaps Rajiv has come to the conclusion that corruption in the organisation and in the administration is beyond his capacity to deal with and has chosen instead to ignore it and pretend it does not exist. It might be argued that if Jawaharlal Nehru did not have the courage to deal with these problems when he was the supremo, how can one expect Rajiv to deal with it when he is a political novice? There may be some substance to this argument, but it must be remembered that the proverbial new broom sweeps clean only if properly wielded.

This, of course, is presuming that he really wants to carry out such an operation. People are beginning to doubt it. The young and the intelligent who had pinned many hopes on him are beginning to feel disillusioned.

It is, of course, far easier to slip into the groove and let the momentum carry one wherever destiny leads. It is also easy to have television cover the prime minister's visits to villages and tribal areas where he astutely exposes the malpractices indulged in by petty government officials. These exposures are akin to trimming the leaves in an attempt to destroy a tree instead of hacking at its roots. They may be good enough to impress the unintelligent, but they won't cut ice with the large number of people who are now experts in the nuances of politics.

Some may argue that Gandhiji's prediction that the Congress will never be able to deliver the goods, has proved wrong. Yet, it is evident that during three and a half decades of Congress rule, interrupted briefly by the Janata interregnum, it has not really delivered the goods in terms of the overall development of the nation. We have grown without any overall plan or purpose, so the only yardstick we use to measure our achievements is material gains and even in terms of this yardstick, half the nation has been left struggling below the poverty line.

Is Rajiv willing enough to change this?

BANKING AND FINANCE

SUJOY GUPTA

More equal colossi

The Colossi of Memnon, as those with an interest in Egyptology are likely to know, are gigantic statues representing divinity. They are carved out of stone and keep vigil over the pharaohs' treasures in the fabled Valley of the Kings near Luxor. India's five public sector financial institutions, *viz.* the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Unit Trust of India (UTI), the General Insurance Corporation (GIC) and the Life Insurance Corporation (LIC), are not unlike contemporary reincarnations of these colossi of ancient Egypt.

For undoubtedly, these powerful institutions are each a giant in their own right. Stretching the metaphor a bit, they are also soul-bereft, stony-hearted beings. And they maintain eternal vigil over vast treasures and immense wealth. But these do not belong to any emperor but to the citizens of India.

Vigil system. There are several ways in which these financial institutions discharge their mandate of keeping vigil over public money. One *modus operandi* in widespread use is the system of appointing their nominee directors on the boards of companies which have borrowed funds from them. The rationale is that as board members, these nominees will (a) have access to inside information and operating data, (b) ensure the introduction of certain minimal managerial standards, (c) ensure that the company abides by all the laws of the land and (d) ensure that repayment defaults do not occur.

So far so good. But unfortunately, in any team of co-equals those who are more powerful also tend to emerge sooner or later as "more equal" than others — a fact of life which George Orwell brilliantly depicted in *Animal Farm*. As per the provisions of the Companies Act, 1956, all members of the board of directors of a company are equals. Collectively, they constitute the "directing mind" of the company. As a natural corollary, the law decrees that all directors of a company share and share alike the responsibility for the direction, control, conduct, management and superintendence of the affairs of the company.

Now the latter bit — namely, accepting equal responsibility — is something the public sector financial institutions have been traditionally reluctant to swallow. Thanks to the fiats of an obliging government, they have wrested certain privileges for their nominees on corporate boards. Under the provisions of the statutes governing the financial institutions, nominee directors (as long as they act in good faith) cannot be prosecuted or held liable for violations of provisions of the Companies Act, or a breach of other corporate laws committed by the company. Indeed, in the wake of the Bhopal gas poisoning tragedy of December 1984, the Union labour ministry bestirred itself to issue a circular to the financial institutions to ensure that no prosecution is launched against nominee directors.

And now, against the backdrop of the intensified tax raids on the corporate sector, the financial institutions are again seeking additional ways and means of insulating their nominees from the hazards of directorial liability. Both the IDBI and the GIC have circulated draft resolutions which seek to fix the responsibility for breaches of law on "directors in charge of the day-to-day management of the company."

No lapse. In particular, the GIC wants wholetime directors to affirm (in legalese which confuses rather than clarifies) that "there is no lapse on their part as would entail applicability of penal provisions to the company and/or the directors of the company and/or involve the company and/or the directors of the company (including the nominee directors appointed by the financial institutions) in any default, technical or otherwise or in any manner whatsoever."

Surely, it is grossly unfair on the part of financial institutions to twist the arms of wholetime directors serving on the boards of companies. The canons of collective responsibility will be thrown to the winds if proposals to get such certificates or resolutions are steam-rollered through. All directors ought to have the courage to stand and be counted. Hiding behind "reliance" on the "faith and strength" of certificates is tantamount to an act of cowardice. Simultaneously, the wholetime directors, chief executive and company secretary are also required to be brave enough to accept omnibus responsibility for the compliance of all laws!

Quite obviously, the colossi have feet of clay.

INDUSTRY

Epic battle of tenders

Ottavio Quatrochhi is a sad man today. Despite spearheading one of the most notoriously aggressive campaigns ever to secure a commercial contract in this country — the laying of the 1,730 km long Hazira-Bijaipur-Jagdishpur gas pipeline, generally referred to as the HBJ project — the contract slipped out of the tentacle-like grasp of the Italian project consultancy firm Snamprogetti, which Quatrochhi represents in New Delhi.

After two agonising years, which saw as many twists and turns as the pipeline itself will ultimately make, the Union government recently (6th April) ratified the decision of the public sector Gas Authority of India Ltd. (GAIL) to award the contract to a low profile project consultancy and commissioning consortium headed by the French company, Spie Capag. As it is not often that Quatrochhi tastes defeat, he is reported to be maintaining an unusually discreet silence.

In stark contrast, the air in the New Delhi offices of Spie Capag, a wholly owned subsidiary of the French company Spie Batignolles, is charged with excitement. After a long, hard, no-holds-barred battle, during which this relatively unknown firm had been on the defensive, its consortium has landed one of the biggest pipeline laying and commissioning projects in the world, estimated to cost around Rs. 725 crores. But though Spie Capag itself came into being only in 1977, its parent companies have been in the line of business for over 50 years, and to date the company has laid about 40,000 km of pipelines across the globe. In spite of having bagged other projects in this country such as the construction of a dry dock and a marine outfall, the HBJ project is undoubtedly the finest feather in its cap. And thereby hangs a tale.

Captive power. It is no secret that when the HBJ pipeline — which will transport natural gas from the gas-rich Bombay High and south Bassein offshore crude oil fields to fuel no less than six new fertiliser projects, three gas-based power stations and at least two LPG plants besides providing captive power for a number of other projects — was first mooted, it became the cynosure of all eyes in the worldwide recession-hit project construction business. Even the laying of the trans-Siberian oil and gas

BusinessWorld
May 12—25 1986

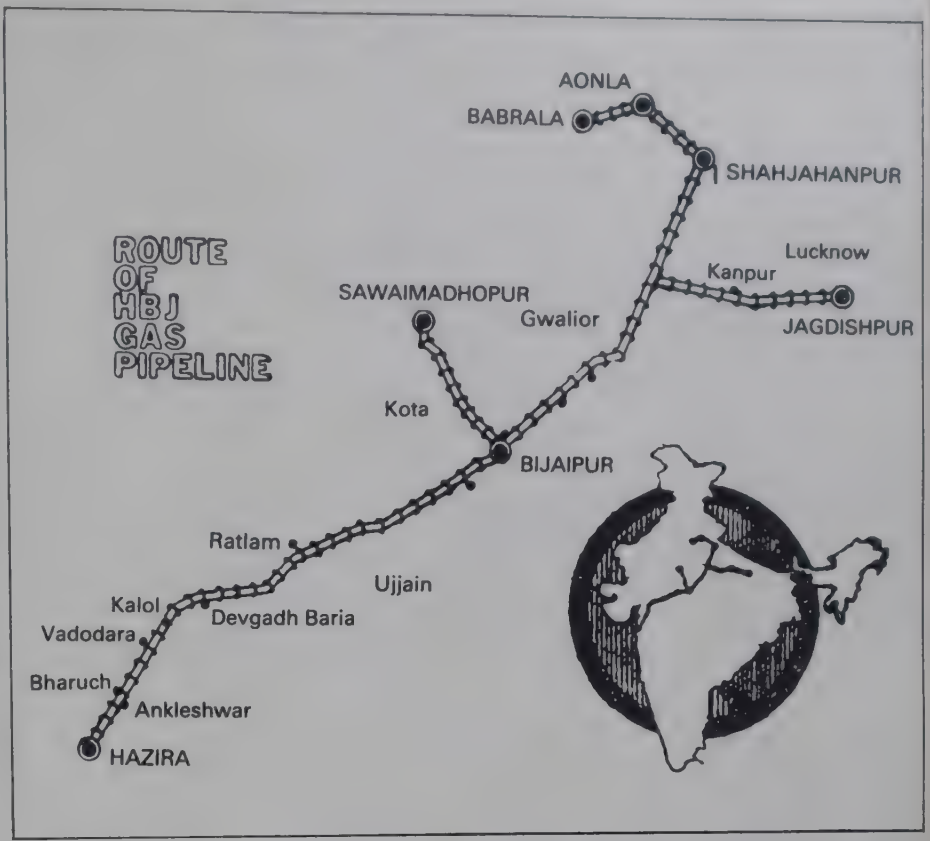
pipeline by the USSR did not capture the imagination of this community as vividly as this stretch of steel tubing which is destined to transport 18.2 million cubic metres of gas every day, eventually building up to 33.4 million cubic metres after a decade and after fording rivers and crossing mountains into the very heart of the country.

When GAIL was incorporated in 1984 to fulfil the objective of awarding contracts with the public sector Engineers India Ltd. (EIL) as its prime consultant, it was thought best to implement the project in sections and accordingly, tenders were invited. But soon unconfirmed reports began filtering in that a mystery bid by the highly influential Snamprogetti had been accepted by the Union government for the implementation of the project on a turnkey basis. As an observer notes, "One really can't say when Snam got into the act but the signs began to flash that a change in the approach of the government was in the offing. I doubt if even GAIL had a clue as to what was happenning."

The power and the reach of Quatrochhi, it is no secret in New Delhi extends to the highest office in the land, a fact much in evidence since the Rajiv Gandhi government was inducted into office in November 1984. Within weeks of the new government assuming office, a committee headed by Professor M.G.K. Menon was constituted to verify if GAIL and EIL had the necessary expertise to do the job.

"I don't think there were any prizes for guessing the outcome of this enquiry. But it was strange that despite the fact that the majority of GAIL's staff were all former ONGC people and had been involved in similar projects, the government suddenly reversed its steps. In that case, why was GAIL incorporated at all?" asks the insider quoted earlier. When similar questions about the propriety of awarding a turnkey contract to Snamprogetti — especially since its bid was unsolicited and came after the other tender bids — were raised by A.S. Gill, then petroleum secretary, he paid for it with his job.

Salutary bid. However, the glare of media publicity as well as the din raised in Parliament by the opposition had the salutary effect of forcing the Union government to invite bids for the project on a turnkey basis from across the globe. When these bids were opened on 28th August 1985, there were four consortia in the fray. While Snam had tied up with Saipem and Dodsal (India), Spie Capag had joined hands with NKK and Toyo Engineering, two Japanese firms. The other two were the Mexican consortium of Condux-Essar and the Canadian combine of Nova Corporation and Majestic Wiley.



When details of the bids were revealed, it was found that Spie Capag offered not only the best credit package, but that its quotation for the project to be completed on a turnkey basis was also the lowest at Rs. 739.38 crores. The next lowest bid was of the Condux-led consortium at Rs. 752.12 crores while Snam's quotation was a distant third at Rs. 859.29 crores. Novacorp priced itself out of the reckoning with a bid of Rs. 1,049.15 crores. Yet the race to bag the largest and most prestigious project contract of recent times was not over.

Not only did Snam and Novacorp heap invective in private and in the press on the manner in which GAIL had evaluated their bids, they even got the representatives of their governments in New Delhi to formally complain to the prime minister about their lack of confidence in GAIL. This was the signal for the setting up of another committee headed by cabinet secretary P.K. Kaul to re-examine the matter. Never before had such a flimsy tissue of allegations about a commercial deal been treated with such respect.

Broadly speaking three sets of allegations were made by the Snam and Novacorp representatives. The first was that NKK, Japan, primarily a steel company, had falsified its claim of pipe-laying expertise. This charge was found to be unsustainable because it transpired that neither Snam or Nova had laid even a single kilometre of pipeline before. Being primarily consultancy firms, they had only supervised others doing the job despite the HBJ tender documents expressly stating that the leader of the consortium should have executed at least 1,000 km of pipe-laying work to be able to qualify for the project.

Media blitz. The second charge made by Quatrochhi related to the so-called indigenous content of the various bids. Writing to the Union industries minister N.D. Tiwari, he reportedly pointed out that no Indian firm, not even the state-owned BHEL would get a share of the pie if the contract was awarded to Spie Capag. As a tremendous media blitz built up around this issue, it was finally left to the ministry of finance who evaluated the financial bids to clarify that this charge too was much ado about nothing.

As a finance ministry official remarked when quizzed by newsmen, "What indigenisation are you talking about? Snam's foreign exchange component is just Rs. 50 crores less than that of Spie Capag." Indeed analysts suspect that Quatrochhi's concern for BHEL masked the fact that had the latter been awarded the contract for the turbines for on-route pumping stations, it

have had to import them from yet another Italian firm. In fact, it was obvious to GAIL that whichever turbines were chosen, either industrial or aero-derivative, they would have to be imported.

Finding that his charges against Spie Capag were cutting little ice, Quatrochhi then reportedly reduced Snam's offer to match Spie Capag's and even suggested that the contract be split between the two consortia. The latter proposal was particularly ironic considering that the single point responsibility theory was Snam's in the first place. As GAIL chairman H.S. Cheema determinedly held his ground, the P.K. Kaul Committee abruptly concluded its sittings and submitted its report to the government.

For Snam, the deadline for awarding the contract by the end of December 1985 had passed. Instead of announcing its decision, the Union government asked the bidders to keep extending the validity of their bids — from 23rd February to 23rd March and then to 7th April.

As this series of inexplicable delays unfolded, yet another spoke was thrust into the wheel, this time by the Mexican consortium led by Condux. Alleging that the strengthening of the yen in the world's currency markets had substantially altered the pricing picture, Condux claimed that its own bid was the lowest in the current rates of exchange. The jump in the value of the yen and the French franc had pushed up Spie's weighted bid from Rs. 740 to Rs. 850 crores, Snam's from Rs. 859 to Rs. 880 crores; Nova's from Rs. 1,049 to Rs. 1,086 crores and Condux's from Rs. 775 down to Rs. 756 crores — undeniably the cheapest.

Fresh bids. Despite the fact that such an objection had little to back it up as the basis on which the contract was to be awarded was the exchange rates as they prevailed on the day the bids were opened, the Union government seemed only too eager to grasp at straws. On 27th March, fresh bids were invited yet again. When the tenders were opened on 3rd April, Condux's bid was the lowest but the tender was not accompanied by a soft credit package.

Thus once again the battle lines were clearly drawn between Snam and Spie, with the latter's financial bid much lower and backed with soft credits for 40% of the project cost. Consequently, despite a few last minute objections raised by Snamprogetti's representatives, the contract was awarded to Spie Capag.

While this epic battle of tenders provided considerable grist to the mills of the fourth estate, in all the fuss two important points have not received the attention they deserve. In the first place, despite the confidence expressed by GAIL chairman Cheema that the pipeline will be ready on schedule by the end of September 1987, the delay in awarding the contract is likely to defeat this objective. This could prove costly with the fertiliser plants fast springing up already with their basic feedstock — gas — nowwhere in sight.

The other major issue relates to the Union government's decision-making process in general. While the top brass at GAIL must be commended for its integrity in insisting on awarding the contract to the lowest bidder, it must not be forgotten that at every stage GAIL managers have been subjected to scathing criticism. Moreover, Rajiv Gandhi's government, which all but awarded the contract to Snam, has certainly blotted its copybook by its blatant politicisation of a commercial contract, lacking only the courage to express its bias openly and carrying the issue to its logical end. It is such politicisation of issues which has denied the public sector enterprises the chance to mature and to enable them to deliver the goods. With natural gas likely to become the fuel of the future, a great deal now depends on the newly incorporated GAIL for whom the HBJ battle of tenders has been a baptism by fire.

Anand P. Raman in New Delhi

ECONOMY

More pay less work

Come summer — now upon us — and offices and factories all over the country shift gears into a grinding stuporific phase. And a sweltering heat has only a partial bearing on the matter. For come summer and it's holiday time across the subcontinent, a time when hordes of Indians descend on their "native place" as the expression goes. Most holiday makers put up their tools for the statutory 30 days of paid leave that they are entitled to, and many extend the statutory period on account of "mother's illness" — the favourite excuse of holiday makers who are unable to shake off the holiday mood.

The funny thing is that the public sector of the economy including the citadels of governmental *babudom* are not unduly affected by the near *en masse* absence of its employees. Cushioned by a sizeable segment of "excess staff" these organisations merely move closer to the optimal level of staff strength during the summer period. Within the private sector, however, the holiday exodus results in more than a little dislocation of the schedules and tempo of work.

Yet, the annual holiday binge is merely the tip of the iceberg. For in addition to the 104 Saturdays and Sundays that the governmental apparatus has legislated as official holidays for its employees, the Union government has declared 14 days as national holidays. This list of national holidays is usually added to substantially by state governments, which declare assorted birthdays and religious festivals as local holidays. For instance, in Maharashtra, 31 days are declared partial (excluding banks) or full public holidays, while work shy West Bengal has a somewhat more modest list of 21 official holidays.

Infrequent phenomenon. If these figures are added on to the permissible paid holidays — which generally include 30 days of earned leave, 11 days of casual leave and 21 days of sick leave — the number of work days that governmental employees log is no more than 178 days a year, and in some cases is as low as 163 days a year.Somewhat tragically,even when private sector employees log a larger number of work days an increasingly infrequent phenomenon, in effect they are also constrained to go slow on the days on which governmental offices are closed, because apart from the stoppage of financial services of nationalised banks, even such vital services as posts and telegraphs are unavailable on these days.

The question then is whether an underdeveloped country which ranks 169th out of 189 countries in terms of per capita income can afford to give its workforce more than half the year off in paid holidays. This question must be answered against the background of the fact that even in the most developed nations, where work intensity and labour productivity are many fold higher than in India, the typical work year exceeds 280 days. For instance, most corporations and wings of government in the US permit employees a mere 21 days of paid leave, in addition to Sundays and eight national holidays.

Also pertinent to the issue is the staggering loss of production resulting from a national or local holiday, especially for industrial undertakings. According to a recent estimate drawn up by the New Delhi-based Federation of Indian Chambers of Commerce & Industry (FICCI), production losses resulting from a single day's national holiday aggregate to over Rs. 500 crores. Thus the country foregoes an output of at least Rs. 7,000 crores on account of national holidays or almost 3.25% of the current (1984-85) GNP of Rs. 2,14,000 crores.

More effective
Less expensive



SUN CONTROL
Garware Polyester Film

Here are just a few of the hundreds of companies who have opted for Sun Control Garware Polyester Film:

- Air India
- Airport Complexes (Bombay, Delhi, Madras)
- Bank of India
- Bhabha Atomic Research Centre
- Bharat Heavy Electricals
- Bharat Petroleum Corpn.
- Breach Candy Hospital
- Centaur Hotel
- Taj Mahal Hotel
- Hindustan Aeronautics
- HMT
- MSRTC (Luxury Buses)
- ONGC
- Ordnance Factories
- President Hotel
- Rashtriya Chemicals & Fertilizers
- State Bank
- Tata Group

Timely decision taken by these Corporates have helped substantial saving in investments and recurring energy costs. Not to speak of a number of other benefits. Why not you too decide today and enjoy the benefits! Dealer Network Service available all over India.

GARWARE PLASTICS & POLYESTER LTD.
50-A, Swami Nityanand Marg, Western Express Highway, Vile Parle (East) Bombay 400 057
Phone: 6046381/4, Telex: 011-71525/72358 GPPL IN, Telegram: "GARWARECAR"

JAISONS GP 2386

We could talk about doubling our profi



But we would about introducing



AKSHARA/ITDC 43A

India Tourism Development Corporation

very year.

ather talk
ndians to India.



At Ashok we've combined commercial viability with social objectives. Pioneering investment in opening new tourist destinations. Starting with Ashok, New Delhi, our first hotel to our latest in Guwahati, the path has wound around the nation. Through Bodhgaya, Bhubaneshwar, Varanasi, Khajuraho... and now on to Puri, Ranchi, Agra, Bhopal and Pondicherry by the end of this year.

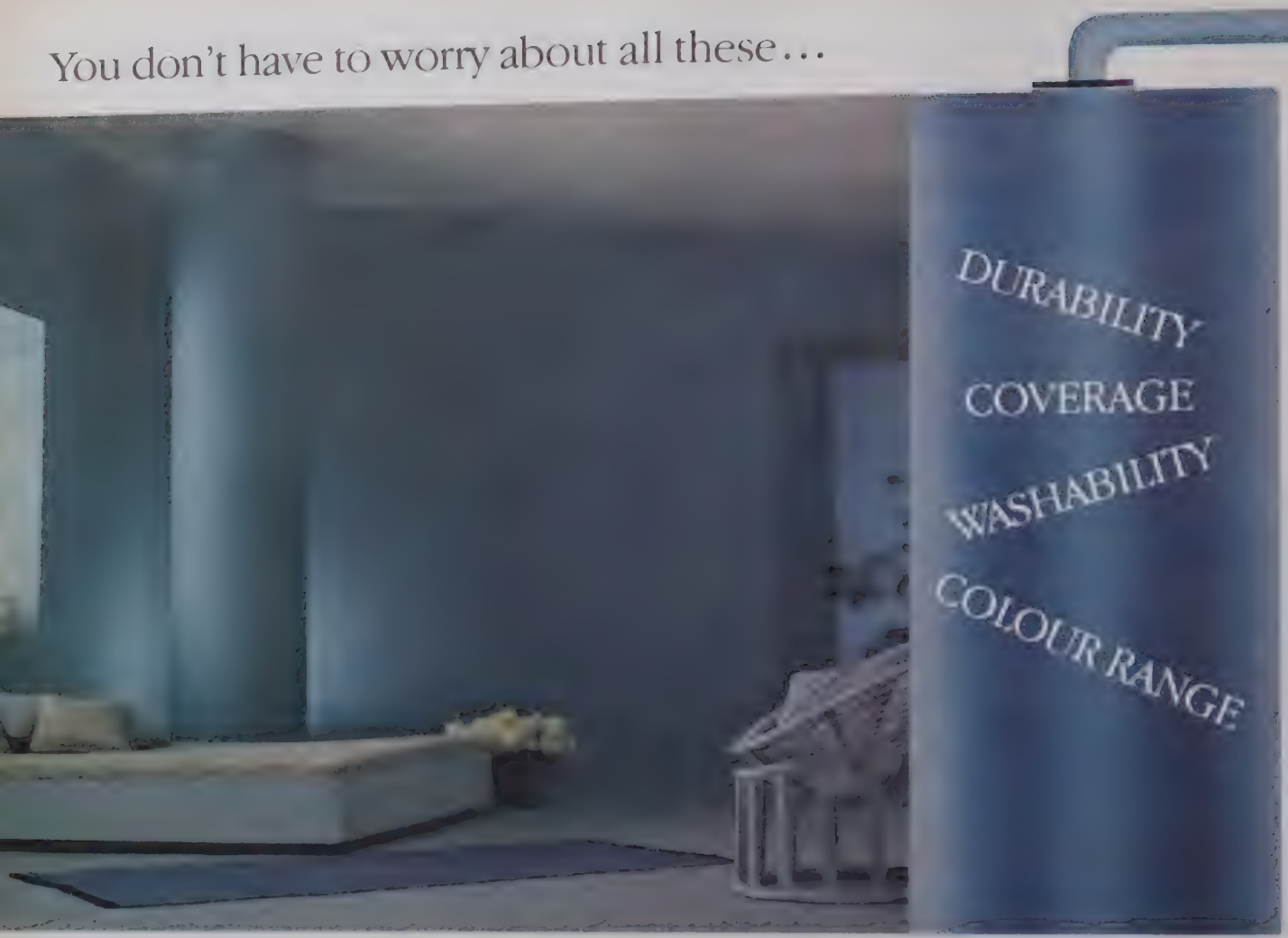
This pioneering role is reflected best in the area of domestic tourism. In our packages : for Students, accommodation and meals at Rs. 60 per day. For Youth up to 30, accommodation at Rs. 25 per day. For Senior Citizens, 60 years and above, weekend accommodation at Rs. 25 per day. And for Weekenders, getaways at Rs. 50 per day. Covering 22 destinations all over the country. Stimulating the spirit of travel and discovery. Helping build bridges of friendship everywhere. Bringing Indians closer to fellow Indians.



Destinations	22
Hotels	24
Beach Resorts	2
Travellers Lodges	3
Forest Lodge	1

The Ashok Group

You don't have to worry about all these...



when you choose Dulux Acrylic Emulsion.

Just enjoy that Dulux finish.

Only Dulux 'years ahead' world-wide paint technology can give you a complete wall finish — Dulux Acrylic Emulsion. More value for your money. More coverage per litre. An exciting range of colours. And, looks that can be easily washed to stay new.

Talking of looks, that's a beautiful surprise for you. You'd never expect an acrylic emulsion to give you such a rich finish. But then, that's the magic of Dulux Acrylic Emulsion. Unmatchable.



The magic of Dulux. No one else has it!

IEL
IEL Limited

CLARION C-IELAE-3

Comments D.T. Lakdawala (70), a doctor of economics of the University of Cambridge and former deputy chairman of the Planning Commission, "The fact that a large number of national holidays are wasteful and unaffordable in a poor country such as India is well established and has also been taken note of by successive pay commissions and wage boards at the national level. These bodies have not only stressed the need to increase the number of working days, but have also pointed out the sharp contrasts the Indian situation presents with that in other countries. But in practice, governments have sought to placate various pressure groups by increasing the number of public holidays and the extent of permissible leave of various kinds. The result has been a great national loss in production and periodic disorganisation of work. In the Indian context, it is only reasonable to demand that the number of holidays be reduced sharply to levels that prevail in other developing and developed economies."



Randeria: "wage costs are no longer an insignificant percentage of total costs"

Caught between the dual pressures of assorted sects and minorities for holidays to commemorate religious and political leaders on the one hand and militant trade unions demanding more pay for less work on the other, democratically elected governments in a polyglot society such as India's are unlikely to be able to develop the will to reduce the number of holidays.

Staggering losses. Given this, it is apparent that any attempt to curtail the staggering losses resulting from excessive public and other paid holidays must be addressed primarily to pressure groups, whose attitudes must be changed. Fortunately, pressure groups such as trade unions in particular are likely to be persuaded that the philosophy of more pay for less work is inimical to their interests by the logic of events rather than by the power of the word. Over the last decade, trade unions in the high wage sectors of the economy have consistently fought for and achieved increasingly higher wages for a decreasing quantum of work. The consequences of such collective bargaining has been that such relatively dispensable jobs as peons, clerks, errand boys, chauffeurs and sundry unskilled functions have priced themselves out of the market.

Comments K.N. Randeria (56), vice president (personnel) of Voltas Ltd. (sales: Rs. 369.68 crores in the year ended 31st August 1985), "Wage costs are no longer an insignificant percentage of total costs, especially within the high wage islands of the organised sector. In a survey of wage costs that we conducted recently among a sample of companies in Bombay, it was discovered that the average cost to a company per day of work of a peon or sweeper was Rs. 61, of a skilled worker Rs.126, of a clerk or typist Rs. 110, and of a senior clerk Rs. 185. These costs which are based on data pertaining to July 1984 are rising at 10%-12% per annum on account of dearness allowance increases alone. Thus the current cost of a senior clerk in Bombay is in the region of over Rs. 200 per working day while a peon costs about Rs. 70, figures which are high in relation to the value added by these job functions. The result is that increasingly companies are either laying off people who perform highly paid if relatively unproductive jobs, or are not refilling vacancies created by personnel turnover or retirement. In short, these jobs are pricing themselves out of the market."

Fewer holidays. That resultant increases in the level of unemployment will force trade unions to either accept lower, more cost effective wages or increase output at the same level of wages by working for more days in a year is becoming increasingly evident. In the meanwhile, Randeria believes that managers in industry, as much as trade union bosses need to be convinced about the need for far fewer holidays or alternatively of a more cost effective wage structure.

Says Randeria, "The result of having a large number of paid holidays for employees is that in order to get a certain amount of work done, companies have to overstaff in order to provide a cover for leaves of absence. Given the current level of holidays, a company would need 25% more staff to provide such cover, which means that the cost per day of work of the original employee goes up by that much more. Also, holidays invariably interrupt or disrupt production processes to lesser or greater degrees, and productive capacities are under-utilised. The service industry is also seriously affected, resulting in a denial of vital services to the citizen. This is a waste of national resources which we can ill afford. Unfortunately, these are arguments that even many well intentioned but somewhat naive managers are unfamiliar with or do not subscribe to."

Thus, the battle, according to Randeria, must begin within the fraternity of managers before it extends to trade unions and the political machinery. In the meanwhile, the more work conscious manager may have no recourse other than setting the right example.

Michael Neri in Bombay

TECHNOLOGY

New newsprint hope

Ever since the first newspaper, the *Corante* was launched in 1621, the newspaper population in the world has multiplied manifold. Correspondingly, so has the demand for newsprint. And the burgeoning demand is becoming increasingly difficult to meet, especially for developing countries such as India, owing to the rapid depletion of available

IIMS

INDIAN INSTITUTE OF MANAGEMENT STUDIES

ANNOUNCES

Its Next Batch of Management Correspondence Courses for GRADUATES & UNDER-GRADUATES for the academic session

1986-87

P.G. DIPLOMA/ CERTIFICATE COURSES

- Office Management
- Cost Management
- Marketing Management
- Business Management
- Personnel Management

P.G. Diploma Duration
One Year (June'86—May'87)
Eligibility: Graduation/ Equivalent

Certificate Duration:
6 Months (June'86—Nov.'86)
Eligibility: 10+2/Intermediate/ Equivalent

Last Date
June 20 1986 | July 20 1986 WITH LATE FEE

FOR DETAILED PROSPECTUS AND APPLICATION FORM
REMIT Rs. 8/- ONLY TO
Indian Institute of Management Studies
A-401-Defence Colony,
New Delhi-110024 (India)

forest resources, the main source of the required raw material.

It is in this context that the recently concluded International Seminar on Bagasse Newsprint assumes significance. Held at Madras on 6th April, the seminar was jointly sponsored by SPB Projects & Consultancy Ltd. — a member of the Erode-based Seshasayee group of companies and the Beloit Corporation, USA, the two companies which have jointly developed the world's first commercially successful process for the production of 100% bagasse-based newsprint. The process has accordingly been christened the SPB-Beloit process and has already been put into use at Tamil Nadu Newsprint Ltd.'s plant at Pugalur.

The seminar traced the history of various efforts to develop a process to manufacture bagasse-based newsprint, the stages in the development of the first commercial success story *viz.* the SPB-owned Tamil Nadu Newsprint Ltd. and discussed its potential impact worldwide.

While bagasse has long been used worldwide as a raw material for the production of various kinds of paper, the successful commercial production of bagasse-based newsprint of an acceptable quality is a relatively recent phenomenon. Efforts to manufacture newsprint from bagasse commenced as long ago as 1856, and was pursued intermittently for over 130 years. Yet, none of these efforts were successful commercially.

Promised supply. Says S. Viswanathan (71), chairman of Tamil Nadu Newsprint Ltd. and managing director of Seshasayee Paper & Boards Ltd. (SPB Ltd.), "Our (Seshasayee's) interest in developing a process to manufacture newsprint from bagasse was prompted by circumstances. When SPB Ltd. was promoted in 1962, the Tamil Nadu government promised to supply it 50,000 tonnes of bamboo pulp every year, but was willing to enter into a contract to supply only 30,000 tonnes.

"We were thus faced with the possibility of a shortfall of raw materials, so we decided to use an alternative raw material — bagasse — which could supplement forest raw materials and thereupon entered into a 30-year agreement with Parry & Co. which has a sugar mill at Pugalur. We installed two steam boilers at their factory at our cost, and in return, took the bagasse generated by it for manufacturing writing and printing paper. After three years, we were quite satisfied with our success in using bagasse to manufacture writing paper and the idea of using it to manufacture newsprint was a logical extension. Accordingly, we started discussions with the various groups involved in this field — the Crown Zellebach group, for example."



Viswanathan: alternative material

Unfortunately, high capital costs and an inadequately developed technology made the processes then available uneconomical or only marginally economic. Thus, even as efforts to develop a more viable technology indigenously were launched, the company's managers used the good offices of the Tamil Nadu government to persuade the Union government to grant fiscal incentives to the manufacturers of bagasse-based papers.

As a result, in 1979, the Union government announced a package of incentives which *inter alia* included a total exemption from excise duty on writing /printing paper which contains more than 75% bagasse. There was no excise duty on newsprint then which meant a benefit of about Rs. 1,800 per tonne of paper containing bagasse in the prescribed proportions.

At these tax levels, a process that had already been developed by the SPB-Beloit team at that time i.e. 1977, was adequately cost effective, and thus SPB managers drew up a plan to manufacture 50,000 tonnes of newsprint and 40,000 tonnes of bagasse-based papers.

The total cost of the project was Rs. 180 crores with a foreign exchange component of $100 million (Rs. 80 crores in 1977) financed entirely by the World

Bank — the largest investment made by the World Bank in the paper and pulp sector in India.

Joint process. Says Viswanathan, "Though initial fears about the viability of our technology were justified, we were confident since we knew why the others had failed. Our association with the Beloit Corporation, USA, began when we felt the need for research facilities to develop the process and subsequently, it was a joint process spread over two years. In September 1984, we started producing newsprint at the TNPL, based on bagasse and other materials. In October 1985, the manufacture of newsprint based entirely on bagasse commenced."

Delivering the keynote address at the seminar, Joseph E. Atchison — a consultant to many bagasse-based newsprint projects — commented, "Successful commercial production of bagasse-based newsprint of acceptable quality to newspaper publishers has been a long time coming — 130 years to be exact. The history of bagasse newsprint has been strewn with failures. Therefore, the accomplishments of the SPB Consultancy and Beloit Corporation in achieving success in the Tamil Nadu bagasse newsprint project is all the more remarkable... (The various failures of the difficulties involved) bring out the great importance of the Tamil Nadu project and its potential impact worldwide."

Indeed, the development of this new technology and its importance, especially for developing countries, can hardly be understated. Comments Manfred Judt of the United Nations Industrial Development Organisation (UNIDO): "There are large areas in the world such as the Middle East, North Africa and Central Asia which do not possess indigenous supplies of wood but have plenty of agricultural resources. There are also the areas where the demand for paper due to population growth and education programmes will increase (at a) faster (rate) than in the industrialised countries. Here it will be imperative to find supplies of paper-making fibrous material other than wood.(And) there is no shortage of non-wood plant fibrous raw material in the world."

And this is particularly true in the case of bagasse, especially for developing countries. According to the FAO production year book 1984, green sugarcane production in the developing countries was 863.33 million tonnes and in the developed countries only 72.44 million tonnes. In other words, the developing countries have 10 times more green sugarcane available than developed countries, and as one of the largest producers of sugarcane in the world the potential for using bagasse to manufacture paper in India is significant.

Various advantages. Argues Viswanathan, "The economic significance of using bagasse to make paper is too stupendous to be ignored. Any developing country has to develop with its own resources and given the primarily agricultural bases of these economies, development has necessarily to be agriculture-based. For an important product such as newsprint, the fact that it can be agro-based is significant. There are various other advantages as well. For one, a part of the rejected cane biomass can now be converted into a useful product instead of being burnt as fuel as is the current practice. Also, sugarcane matures in nine months as against a minimum of seven years for wood. Thus the use of bagasse to manufacture newsprint results in improved land utilisation and productivity ratios."

With a national production of about 180 million tonnes of sugarcane per annum, bagasse availability is unlikely to pose serious problems. Indeed, this volume of sugarcane production is adequate to sustain an annual output of 10 million tonnes of newsprint. The current demand for newsprint in India aggregates to 4,50,000 tonnes of which 2,50,000 tonnes is imported at a cost of $150 million.

According to Viswanathan, the demand for newsprint in 2000 AD is projected to increase to 1.25 million tonnes in order to produce which an additional capacity of 1 million tonnes will have to be created at a cost of Rs. 2,500 crores (current prices) in order to save about $600 million per annum in imports (current prices).

Yet, given India's rapidly depleting forest cover — estimated at under 16% currently — any increase in paper production will place extreme pressures on the forest ecosystem. Thus, self-sufficiency in paper is possible only if bagasse is substituted for wood on a large scale in manufacturing paper. The importance of Tamil Nadu Newsprints' success stems from the fact that it has shown the way to doing just that.

Chandu Nair in Madras

MANAGEMENT EDUCATION

Introspective jubilee

The annual convocation of the Indian Institute of Management, Calcutta (IIM-C) held on 26th April had a special significance this time because it marked the silver jubilee of one of India's pioneering business schools. Management education has of course come of age in this country since the early sixties when the two national institutes were established in Ahmedabad and Calcutta. Yet in IIM-C's silver jubilee year the mood of the country's top drawer management educationists is sombrely — and appropriately — introspective rather than self-congratulatory.

The issues which are currently being debated in these somewhat esoteric circles are centred around two subjects. The first and possibly more important of these is taking stock of where the pioneer IIMs stand today and whether they are on the right track for the future. The kind of questions thrown up in this context are typically: are IIM alumni providing adequate managerial support to the corporate and non-corporate business sectors? Have they been able to generate new ideas or develop new applications and innovations, in the Indian context, of traditional management precepts? What have been the IIMs' contribution in providing mid-career support to professional managers? How well are they faring in the fields of consultancy and applied research? As Union minister for steel and mines K.C. Pant, who was the chief guest at the convocation, remarked in the course of his address, "Twenty-five annual milestones is not too long a period in the history of any institution. But the first formative years are critical as they set the tone for future evolution. The time is now ripe to carry out an honest appraisal of the work done during the first 25 years."

Emerging needs. The other subject which is occupying the minds of IIM-C's faculty is whether the objectives of the institution correspond to the felt and emerging needs of the economy and polity. Pant touched on this issue when he raised the following questions. Which are the under-managed sectors of our economy? How do the IIMs serve to fulfil the needs of these under-managed sectors? How effective is the capability of our managers to function as agents of change? Paraphrasing management guru Peter Drucker, Pant — an alumnus of Lucknow University — quipped, "There are no underdeveloped countries. There are only under-managed ones."

Looking back, IIM-C old timers remember the initial teething years when the institute itself was under-managed. "IIM-C had its bagful of financial problems in those days because resources were not flowing in easily," recalls one of the faculty members. Also, it so happened that during the sixties — when IIM-C was hardly a few years old — several high-flying faculty members left for greener

SUNDAY
The best reporting



From the Ananda Bazar Group of Publications



Aiyar: renewed effort to raise funds

pastures including the late Ravi Mathai, Ashok Mitra and Ishwar Dayal who is currently director of the newly founded IIM at Lucknow. Incidentally, the first two directors of IIM-C were professionals drawn from the private sector, *viz.* K.T Chandy and Krishna Mohan who were both from Hindustan Lever Ltd

Despite this early and welcome involvement of the private sector in getting IIM-C off the ground, the charge has been made — and not entirely without justification either — that the private sector business fraternity in Calcutta has been remiss in failing to back IIM-C with generous financial and moral support. True, there are many takers for its graduates. But the fact remains that the great industrial houses of Calcutta — whether multinational affiliates or family dominated ones — could and should have been far more forthcoming in their support of IIM-C. Indeed, IIM-A has received far greater support from the business houses in western India, particularly those based in Ahmedabad itself and in Bombay.

"To a fair extent, the fault perhaps is that of IIM-C itself," admits the institute's director Dr. R.P. ('Ramu') Aiyar (48). "Perhaps in the earlier years we did not canvass aggressively enough for support from the corporate community," says Aiyar who recalls that a fund-raising drive in 1975 netted the modest amount of Rs. 22 lakhs or so — by all accounts a niggardly contribution by the profit-making companies. "A new effort is currently being made and our initial target is Rs. 1 crore," says Aiyar.

Higher contribution. Following a visit to the campus at Joka, a suburb of Calcutta, Tata Iron & Steel Co. Ltd. (TISCO) chairman Russi Modi recently donated Rs. 20 lakhs to help furnish and air-condition the institute's new executive development programmes' (EDP) centre. Says Aiyar: "We are also expecting a higher plan contribution for 1986-87 than last year's Rs. 1.1 crores. I sincerely hope that with the support of both the government and industry we shall be able to complete the Joka campus within the next three years."

There is some indication that IIM-C's renewed efforts to raise funds will yield a better dividend this time. Its present board of governors is adorned by quite a few heavyweights of the Calcutta corporate scene, including *inter alia* Jahar Sengupta (chairman of Chloride India); S.P. Acharya (chairman and managing director of Shaw Wallace); J.N. Sapru (chairman, ITC Ltd.) and Sudhir Jalan (chairman, Bells Control Ltd. and other companies of his group).

Besides, some of IIM-C's senior alumni have risen to positions of responsibility and patronage: Subhas Subberwal (managing director, Jenson & Nicholson), Ajit Balakrishnan (Rediffusion), Hrishi

Bhattacharya (marketing director, Lipton India) and Rajat Barua (chairman and managing director, Rehabilitation Industries Corporation), to name a few at random.

A welcome sign that there is increased institutional interest in the well-being of IIM-C is that on the occasion of its silver jubilee,two new professional chairs have been endowed. The donors are the public sector State Trading Corporation and the Calcutta Port Trust. Several new scholarship endowments have also been made, including one by *BusinessWorld*.

As far as marketplace acceptance of IIM-C alumni is concerned, Aiyar reels off some interesting statistics. Of the 120 graduate students this year, 110 have been absorbed in the private sector and only 10 opted to join the public sector. Altogether, there were 173 job offers, which means that 53 employers who came to the campus to recruit MBAs had to return empty-handed. The mean starting salary for the 1986 batch that has just found placements is an enviable Rs. 2,550 per month (*cf.* Rs. 2,200 in 1985). Last month, 8,994 aspirants sought admission into IIM-C, of whom 804 were interviewed and 150 selected.

Few takers. Yet one bone of contention which still rankles the institute's faculty is the question of granting the IIMs the power to confer their own degrees. As is well known, IIM alumni earn not a full-fledged master's degree but only a post-graduate diploma. Nor are these institutes empowered to grant doctorates, instead they grant fellowships. Again, fellows are not allowed to use the honorific 'Dr.' Consequently there are very few takers for IIM-C fellowships.

An inter-IIM committee has been constituted to weigh the pros and cons of degree-granting authority. One school of thought advocates that it is better for IIMs to retain their autonomy and accept the *status quo* of diplomas since the marketplace appears to be unconcerned anyway. The other school feels that the IIMs should be treated as co-equals of the IITs which have been invested with the power to confer full degrees and doctorates. The committee is meeting this month and may well recommend an amendment to the Act of Parliament on the basis of which the IIMs have been founded.

These issues apart, the inter-IIM committee meeting this month is likely to result in wide-ranging discussions on a host of issues. The debate could well have an important influence in reshaping the form and content of management education in India.

Sujoy Gupta in Calcutta

ECONOMIC COMMENT — MINOO SHROFF

Managing the trade deficit



One of the most disconcerting features of the current economic scene is the burgeoning trade gap, which has shot up to over Rs. 8,000 crores in 1985-86 from an average of Rs. 5,500 crores per annum during the Sixth Plan period. The country managed to tide over this problem last year without recourse to large commercial borrowings and with a draft of only Rs. 200 crores on its foreign exchange reserves, due to the spurt in deposits from non-resident Indians and greater inflow of net external assistance.

The trade deficit has ballooned because of a spurt in imports which has coincided with a fall in exports. The national import bill rose last year by Rs. 2,500 crores as a consequence of larger imports of capital goods (a Rs. 900 crore increase), crude oil and petroleum products (Rs. 800 crores), sugar and edible oils (Rs. 400 crores) and metals (Rs. 350 crores). On the other hand, export earnings were down by 3% mainly because of a sharp drop in petroleum exports aggregating Rs. 1,300 crores due to the larger volume of crude oil processed in domestic refineries. Non-oil export revenue was higher by 9%, major contributors (in terms of incremental earnings) being iron ore (Rs. 250 crores), garments (Rs. 150 crores) and gems and jewellery (Rs. 95 crores).

Depressing scenario. Not that there is no silver lining to this depressing scenario. Even assuming that crude oil prices stabilise at US $18 per barrel, there would be a saving of up to Rs. 1,000 crores on the petroleum imports account alone in the current year. Imports of sugar, edible oils, steel, cement and fertilisers will also be lower. However, imports of capital equipment, raw materials and other intermediates will be much higher. Total imports may fall by Rs. 900 crores. Hence the position in the current year (fiscal 1986-87) will be somewhat better with the trade deficit declining to around Rs. 6,500 crores. However the overall invisible inflow will be less in view of the depressed economic conditions in West Asia and the deteriorating climate for foreign assistance.

Export revenue could well rise by about 10% because of improved growth prospects in the OECD countries and the sharp depreciation in the value of the Indian rupee, the impact of which will be felt in the current year.

The import coefficient of the Indian economy is high. Therefore determined efforts will have to be made to reduce or phase out several items of bulk imports such as sugar and edible oils, by stimulating domestic production and adopting appropriate pricing strategies. In addition, there is great scope for raising the output of steel, fertilisers and cement by better utilisation of existing capacities. Growth in crude oil imports must and can be curbed by launching a vigorous campaign for the conservation of energy. Nevertheless, in a country such as ours where the balance between demand and supply is fragile in many cases an adequate cushion must be provided to meet contingencies.

Therefore even more imperative is the need to stimulate exports. Over the years the country has lost its will to promote exports which is evidenced by its share of global exports falling from over 2% in the early fifties to under 0.5% currently. This has been due to a growing and lucrative domestic market almost completely insulated from international competition and various constraints in stepping-up output on a cost effective basis.

In short, exports have not been perceived as a profitable long-term business *per se* but merely as an outlet for surplus output. While an export-led growth strategy is certainly not recommended, a target of 1% of world trade to be achieved in the next 10 years should not be beyond our reach.

Determined effort. To achieve this export target, both industry and government will have to make a determined effort. The attack will have to be on the following lines. First, identifying items in respect of which India has a comparative advantage. Second, pinpointing markets which could be serviced to maximum advantage. Third, selecting indigenous companies which could service specific target groups overseas to launch this endeavour and supporting them all the way. Fourth, inducting into the Union commerce ministry individuals with a global trading perspective and adequate experience in the field of export promotion, so that the administration can respond with alacrity to problems as they arise

PHILIPS

Over 55 years of experience in India, true

But, what does the Philips India of 1986 mean to you?

Ever since the first light bulbs lit up homes in 1930, Philips India has been brightening up your lives. The Company has led almost every major event on the home front – in lighting and electronics.

Philips India pioneered the transistor revolution in India and played the leading role in introducing Black & White and Colour Television transmission in the country. Other break-throughs cover a wide range of lamps, lighting, consumer and professional electronic products.

Today, Philips India holds an impressive track-record. With deep-rooted commitments and investments to improve the quality of life, the Company continues to play an increasingly active role.

You and Philips India

It has been an enduring association: lasting over decades. Starting out as a small trading company in 1930, Philips India has over the years grown into a dynamic enterprise with firm roots and commitments to the Indian household.

Today, the Company brings you a wide consumer range from transistor-radios to state-of-the-art two-in-ones to Hi-Fi equipment and more.

Total integration

From identifying the needs of the Indian household to developing, designing, engineering and bringing home a wide range of products to you, Philips India involves itself every step of the way. It has been a consistent policy at Philips to build an integrated infrastructure and manufacture everything from components to finished goods.

This policy has led to the establishment of a number of modern factories in different parts of the country, supported by extensive R&D facilities, in which an investment of over Rs. 55 million has been made.

The biggest investment in the private sector in the area of lighting and electronics, research and development.

Highly qualified trained technologists research relentlessly with the latest instrumentation facilities. Skilled industrial designers continuously evolve new stylings that reflect the latest in function and design.

In fact,Philips India has introduced more firsts than any other company in the industry.

Also, the technologies that Philips India employs reflect a level comparable to the best in the world, and in many respects unique to India.

An army of plant personnel, over 4700 people, the largest for any electronics company in the private sector,work day and night with computer-aided technologies in factories that together span more than 90,000 sq. metres of covered area. The tool room space alone covers 4,000 sq. metres. Philips India has probably the most modern tool design and engineering facilities in India.

PHILIPS

Partners in progress

As part of its corporate philosophy, the Company has developed a number of ancillaries. As many as 1000 ancillary units, together, supply components, pieceparts and sub-assemblies amounting to about one third in value of the total production of the Company.

A team of specially trained company engineers regularly monitor the performance and make sure that Philips design-requirements, specifications and quality standards are adhered to by them. Through continued technical and management support, the total competence of these suppliers improves over the years. This has been the guiding principle behind the Company's policy of establishing a partnership with its suppliers and ancillaries all over the country, based on mutual trust and respect.

The question of reliability

The surety in the name of 'Philips' is based on its reputation for uncompromising superior quality. Quality not only of products but also in the way in which the Company functions. A total commitment to quality and customer. The Company's after-sales service is comprehensive: a countrywide network of over 2500 audio and authorised service dealers with a ready access to 7,500 and more types of spare parts.

They go to guarantee that users of Philips products get attention with a high level of competence.

The Company provides its dealer-technicians detailed training on all aspects of customer service. For example: in the last few years over 1500 dealers have been trained by Philips India.



Philips: the trusted Indian household name for over 55 years

The importance of good value

You've just had a glimpse of what goes behind every product from Philips India. No wonder these products command a premium in the market. Compare 'Philips' products with others in their class and you will agree that the Company's prices are competitive. Certainly products of Philips India offer you good value – lasting value – for money.

From design to service, only Philips gives you reliability

The Company's concern for customers extends from basic design, manufacture and quality control to service and availability of spares.

Yes, from design to service, only Philips India gives you reliability.

That is why Philips India, in over 55 years, has become a respected household name.

Trusted by people like you.

Philips India has set high professional standards in innovation and development in its wide range of products.

Philips products, made in modern well-equipped factories have earned for Philips India an enviable reputation for quality and reliability.

When it's Philips, you're sure

OBM 7608 B

Corruption proof pre-emption

H.P. RANINA



A very important change is proposed to be made in transactions of sales of property. The Union government has reserved for itself the right of pre-emption. Currently, chapter XX-A of the Income Tax Act, 1961, empowers the income tax department to acquire immovable properties — including flats in cooperative societies where their fair market value exceeds Rs. 1 lakh — provided it can be proved that the consideration shown in the instrument of transfer is less than the fair market value by more than 15%. But under the law as it exists, the burden of proof is on the income tax department and since in almost all cases there is a uniform suppression of the true market value, the department has not been able to effectively curtail the undervaluation of properties.

Therefore as part of his budget proposals for 1985-86, Union finance minister V.P. Singh proposed a new scheme to give the income tax department the right of pre-emption in any transaction pertaining to immovable property of a value exceeding Rs. 5 lakhs, as may be prescribed. However, in the finance minister's budget speech it was stated that this provision would be invoked only in respect of properties with a market value exceeding Rs. 10 lakhs and would be restricted to the metropolitan cities such as Bombay, Calcutta, Delhi and Madras. This would be done through a notification to be issued shortly.

PRESCRIBED PARTICULARS

The proposed s.269-UC prohibits the transfer of any immovable property of a value exceeding Rs. 5 lakhs, as may be prescribed by rules, unless after entering into an agreement of transfer at least three months have elapsed. The agreement should be reduced to writing in the form of a statement by each of the parties to such a transfer and this statement should be in the prescribed form and contain such particulars as may be prescribed. The statement is to be furnished to the appropriate authority, constituted by the Central government under the new chapter XX-C which will contain ss.269-U to 269-UD, within such time as may be prescribed by the rules.

The proposed s.269-UD provides that after receipt of the statement in respect of any immovable property, the appropriate authority may for reasons to be recorded in writing, make an order for the purchase by the Central government of the immovable property at an amount equal to the amount of the apparent consideration. The said order has to be made within a period of two months from the end of the month in which the statement in respect of such immovable property is received by the appropriate authority.

The property in respect of which an order has been made by the appropriate authority under s.269-UD shall, on the date of such order, vest in the Central government free from all encumbrances. The transferor or any other person who may be in possession of the said immovable property shall surrender or deliver possession thereof to the appropriate authority or any other person duly authorised by that authority within 15 days of the service of the said order. In case any person refuses to deliver possession, the appropriate authority may take possession of the property and, for this purpose, use such force as may be necessary.

Despite these omnibus provisions of chapter XX-C proposed to be inserted into the Income Tax Act with effect from 1st October 1986, they are not likely to solve the problem of understatement of consideration in property transactions. The right of pre-emption given to the government may not act as a sufficient deterrent in preventing undervaluation. Allegations of lack of objectivity in exercising discretion or corruption while taking over properties and the resultant discrimination among taxpayers are also certain to be made.

It is submitted that if the object of avoiding understatement of consideration is to be achieved, chapter XX-C should be redrafted on the following lines:

(a) Any person desiring to sell his property should intimate to the government his desire to do so, filling up the prescribed form with all the relevant particulars.

(b) Within 30 days of receipt of the intimation, the government should issue public notice of the intention of sale, giving all the relevant particulars and description of the property.

(c) In the public notice, a date would be fixed, by which time sealed tenders should be invited from the public in respect of the property, whereby the prospective buyers would quote the price for it.

(d) 10% of the price quoted should be deposited by prospective buyers at the time of submission of the tenders.

(e) A government representative would open the tenders at the prescribed time and on the specified date in the presence of the tenderers, and the person who has made the best offer would be entitled to buy the property, provided he deposits the full amount with the government within 30 days of the date of the opening of the tender. If he to fails do so, the person offering the second highest price would be entitled to buy the property.

(f) For conducting the sale through public tender, the government may charge a fee of 3% which would be paid in equal proportions by the vendor and purchaser.

The acceptance of this suggestion would ensure that the full market value of the property is realised by the vendor and that the purchaser pays for it through the agency of the government. Thus, the income tax department would be aware of the full price paid for a particular property and assessments could be made accordingly.

INHERENT ARBITRARINESS

This suggestion if accepted would also ensure that any arbitrariness which is inherent in the very scheme of chapter XX-C as proposed in the Finance Bill 1986, would be eliminated.

Further, since the sale and purchase would be made under the auspices of the government, it would totally eliminate any possibility of understatement of consideration and any element of tax evasion. Instead of paying amounts to brokers and other intermediaries, the government would earn 1·5% from each party of the value of the sale consideration.

If a landlord proposes to give his property on rent, the same procedure may be followed to determine the rent which a tenant would be prepared to pay. This would eliminate the possibility of illegal premium of *pugree* being paid under the table.

While the constitutional validity of chapter XX-C is open to doubt, the scheme suggested above would be within the legal framework, as it would merely ensure a free and open sale to be conducted under the auspices of the government.

Historic meeting

In these changing times, historical continuity and fidelity to roots are rare phenomena. Which is why when the Madras Chamber of Commerce and Industry held its 150th annual general meeting at Madras on 12th April, its organisers were forgiven the somewhat self-congratulatory mood that was systematically fostered on the occasion. A ready apologist is N. Sankar (40), a postgraduate in chemical engineering from the Illinois Institute of Technology,



Sankar: easy competence

USA, who combines the roles of chairman of the chamber and managing director of the Madras-based Chemicals & Plastics Ltd. (sales: Rs. 40.94 crores in the year ended 30th June 1985) with easy competence.

"Annual meetings come and go as a matter of routine and are taken for granted. But there are occasions which men have always commemorated out of respect for tradition, out of sentiment and out of a sense of history. The 150th annual meeting of the Madras Chamber is such an occasion," he says.

Established on 28th September 1836 at a meeting convened by the representatives of certain business houses which were operating in Madras at that time, the chamber held its first ever annual general meeting on 15th October 1837. Today, the chamber has a membership of over 200. Interestingly, the two founder-member companies of the chamber, Binny Ltd. and Parry Co. Ltd., are still with it. There are also a few other companies such as the Standard Chartered Bank, Best & Crompton Ltd., Grindlays Bank, Gordon Woodroffe Ltd., etc., who have been members of the chamber for over a hundred years, thereby providing an anchor of continuity and tradition.

But fidelity to its historical roots is by no means the chamber's only claim to distinction and as its chairman argues, not without conviction either, the chamber has played a major role in promoting trade and industry in south India in general and in Tamil Nadu in particular. As one of the founder-members of ASSOCHAM, the Madras Chamber has also played an active role at the national level. And despite its long history, Sankar says that "The chamber can be said to be much more active than when it started in 1836. And there is little doubt that it will have to play an increasingly active role, particularly in the present context in which the private sector is expected to play a larger role in the industrial development effort."

Increased output. The unimpressive performance of the industrial sector during the Sixth Plan period has been a matter of concern. Industrial output in these five years has increased at a rate of 3.5% per annum *cf.* the target of 8%-9%. Comments Sankar, "There is no need to be defeatist, inspite of the problems facing us. We must build on the strengths and opportunities that we have. The economic state of the nation can be realistically summed up as one in which the economy is poised for rapid growth. There is no longer any doubt that we have the potential to grow more rapidly, if only we apply ourselves with determination and resolve to the task of national economic growth."

The Seventh Plan launched recently assigns an important role to the private sector, which is expected to invest a whopping Rs. 1,68,000 crores or 52% of the aggregate plan outlay. But in order that the targeted 5% growth in gross national product is achieved, industry has to grow at an annual rate of 8% during the Seventh Plan period, says Sankar. "This is an indication of the trust reposed in us by the government and I have no doubt that if the government does its bit, private sector industry will demonstrate that the trust bestowed on it is not misplaced," he adds.

Yet, Sankar is not quite the starry-eyed optimist and is aware of the obstacles in the way of rapid industrialisation, particularly in his home base, i.e. Tamil Nadu. During the Sixth Plan period, domestic product of this once dynamic southern state is estimated to have grown at the rate of 2.5% which is only half the targeted growth rate of 5% per annum. Likewise, the industrial sector has grown by an estimated 4% *cf.* the target of 8% per annum

Active cooperation. "Both agriculture and industry in the state need to be strengthened. The Tamil Nadu government should give a thrust to the promotion of enterprises, particularly in new fields. And one of the prerequisites of such success is an environment of active cooperation between the state government and established business enterprises. Only this can provide the right signals to entrepreneurs to undertake new investments and expand existing ones," he says.

Not surprisingly, Sankar has charted a new course for the chamber in which the reshaping of the industrial environment of the four southern states of the country is the most urgent priority. And unfazed by the problems and obstacles on the path, Sankar is confident that the Madras Chamber will continue to play a vital catalytic role in the industrial development of the south.

CHANDU NAIR IN MADRAS

Budget hotel project



Shewakramani: special offer

Mixing business with pleasure is perhaps the most unusual way of wooing the hard-nosed investor. But the Bombay-based Ras Resorts & Apart Hotels Ltd. which is entering the capital market on 27th May with a public issue of 5,30,000 equity shares of Rs. 10 each for cash at par — to mobilise Rs. 53 lakhs — plans to do just that.

"We are making a special offer to our shareholders. They can avail of a 30% discount on the tariffs of our hotel and resort rooms during the first year of our operations for a maximum period of 10

days," says the soft spoken Vishamber Shewakramani (31), a business management graduate of the Texas A&M University, USA and managing director of the company. Ras Resorts is constructing a 3-star hotel on the banks of river Daman Ganga at Silvassa in the Union territory of Dadar & Nagar Haveli.

"The proceeds of the public issue will be used to part finance the hotel project which is expected to cost Rs. 2.65 crores. When fully commissioned in December 1987, the hotel will have 60 rooms and will be cottage-like in appearance,with a unique blend of modern and Portuguese architecture in a rural setting," says Shewakramani.

Tourist location. According to him, the hotel, which will open for business in December 1986 when 20 rooms are to be commissioned, has several things going for it. "Firstly, the Union government is actively promoting Silvassa as a tourist location and has established a reptile park, nature trails, a tribal emporium, etc.,near this town. Secondly, there is no hotel of its kind in the whole of South Gujarat which has several important industrial centres. Thirdly, in addition to the Central government subsidy of Rs. 25 lakhs we will also enjoy a 5% interest subsidy. Thus against the normal interest payable of 12.5% per annum on term loans, we will have to pay only 7.5% per annum and this will greatly reduce our cost of borrowing," says Shewakramani.

However, perhaps the greatest advantage which the new hotel enjoys is the experience of the Shewakramani family in the hotel business. Ever since it promoted its first Hotel Rajdoot in Bombay in 1972, the Shewakramani family has successfully promoted four others in this city. The latest is a 48-room hotel at Sahar International airport which is currently under construction and budgeted to cost Rs. 1.50 crores.

Meanwhile Shewakramani is charting out an aggressive marketing programme for the Silvassa resort. "We are planning to organise package tours to our hotel and we propose to tie up with some clubs in Bombay for this purpose. Given our low break even point of 44% occupancy I am confident that we will be able to declare a dividend in the second year of our operations i.e. 1988-89," he says optimistically.

BINU S. THOMAS IN BOMBAY

Enter FCI-Fischer

The Union government's long-standing invitation to purveyors of high technology seems to be attracting some serious attention at last. Foreign banks were the first to hone in on India by setting up either representative offices or branches in this country. Not too surprisingly, leading international consultancy organisations are now gearing up to strengthen their presence in a nation which, according to a prediction made by the US-based *Forbes* magazine, is destined to be a leader rather than a laggard within 20 years.



Roy Choudhury: technology transfer

Thus the well-known Munich-based West German consultancy organisation FCI-Fischer Group International (estimated annual billings: DM 40 million or Rs. 21 crores) is currently seeking to set up shop in India and establish a permanent presence in this country. A new company, FCI-Fischer India Pvt. Ltd., is in the process of being launched. Based in Delhi, this company will have offices in Bombay and Calcutta.

"Our main aim is to bring European technology to India," explains Nirmal Roy Choudhury (46), the Dusseldorf (West Germany)-based regional manager of FCI-Fischer Group International, who is slated to concurrently hold the position of non-resident managing director of the group's Indian affiliate company. "FCI offers to arrange for the transfer of virtually any type of technology which is presently available in Europe and which Indian parties might be interested in," he adds.

Practical services. There are a few specific areas in which such transfer of technology is "readily" possible, according to Roy Choudhury. He names the fields of engineering plastics (in particular, extrusion product applications), automobile components (e.g. oil filters), medical electronics (e.g. electro cardiographic equipment), polyvinylchloride (PVC) window profiles and so on. "Among the services we offer are partner and partnership selection, joint venture agreements, market development as well as market and competition analysis," he says and adds, "All FCI services are practical, future-oriented and tailored specifically to solve problems in trade and industry."

Roy Choudhury is confident that FCI-Fischer India will be able to drum up consulting business aggregating to the equivalent of DM5.00,000 (Rs. 26 lakhs) annually "to start with." He plans to make "frequent" trips to India — "six times or more every year" — to ensure the smooth takeoff of this fledgeling firm. Incidentally, Roy Choudhury — who migrated to West Germany in 1961 and has earned degrees in business management and engineering from the universities of Cologne and Dortmund — has retained his Indian nationality and indeed is openly bullish about the growth prospects of his native land.

"In our experience, there is tremendous interest in India all over western Europe. I am very optimistic about India's future prospects," says Roy Choudhury.

SUJOY GUPTA IN CALCUTTA

Sinclairs' public issue

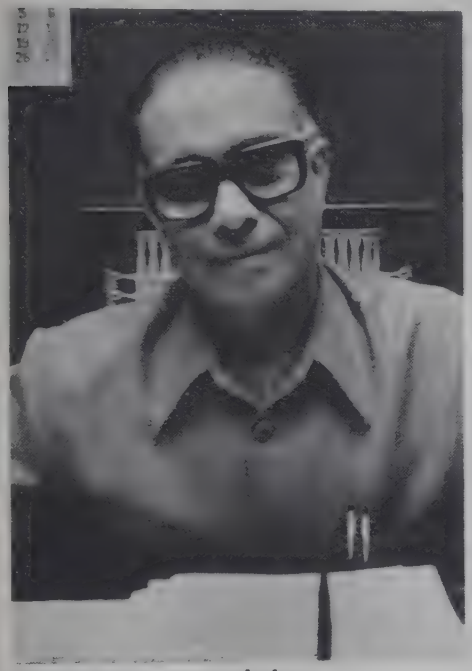
With the business outlook in the eastern sector generally perking up, it is not too surprising that managers in the recently designated hotel industry are optimistic as well. And, eager to seize a perceived growth opportunity in this field is the multifaceted yet low profile Calcutta-based "multiservice" company, Sinclairs Hotel & Transportation Ltd. (SHTL — net worth: Rs. 1.3 crores).

Promoted in 1869, the company has changed ownership over the years from Dutch to British to Indian hands. At present, SHTL is involved in ship-broking, chartering, buying and selling of ships, freight consultancy services, the travel and tour agency business and hotelier-ing. "We are certain that there is a growing need for 3-star hotels both in Calcutta and in the other large towns in the eastern states," says Swapan Das Gupta (59), an economics graduate of Presidency College, Calcutta, who was the first Indian to join this company as a covenanted officer in 1954 and is cur-

rently its chairman and managing director.

In pursuance of this conviction, Das Gupta explains that SHTL is expanding and modernising its existing 36-bed hotel at Siliguri — a major tea auction centre and a focal point for business in north Bengal and its hinterland which includes Sikkim, Bhutan and Nepal. The capacity of this hotel will be increased to 60 beds for the present, but plans are being drawn up to increase it to 72. Additional facilities such as a swimming pool, a speciality restaurant and closed circuit television will be introduced at an estimated cost of Rs. 66 lakhs.

Land acquired. For the second phase of its expansion plan in the hotel business,



Das Gupta: eastern chain

SHTL has acquired land in Haldia, Bhubaneswar and Puri. "Our plan is to establish a chain of hotels initially in eastern India including Calcutta, and then extend our activities to other regions," says Das Gupta. He feels that the proposed hotel at Haldia will do well when the giant joint venture petrochemical plant comes up there. He says that SHTL's new hotels which are coming up would be designed keeping in view "all the needs of foreign and commercial tourists" although without providing all the luxuries of a hotel in the deluxe category. In fact, the 56-room Sinclairs hotel at Darjeeling is the only one amongst the company's hotels which is designated a 4-star hotel.

Hotels apart, SHTL also plans to venture into a new area of real estate development. It has drawn up plans to construct residential apartments and office complexes in big cities and fast growing towns which will then be marketed under hire purchase and lease rental contracts. "The basic strategy of this diversification is to improve the yield on the company's investment," explains Das Gupta.

To fund its growth plans, SHTL is planning to enter the capital market shortly by issuing to the public 6,50,000 equity shares of Rs. 10 each for cash at par. These shares will be listed on the Calcutta and Bombay stock exchanges.

Adds Das Gupta by way of a sales plug for his company's forthcoming equity issue: "With hotel charges forever on the rise, today's customer is on the look-out for good low budget hotels. According to our studies, there will be a great demand for low budget hotels in the near future because a growing number of Indians can now afford to travel. Thus the profitability of our investments in the hotel business is assured," he says.

So confident is Das Gupta that plans for further diversification into the technology transfer consultancy business are also being scrutinised. "In three years' time we should be free enough to make a thrust into this area," he says optimistically.

ASHOKE LAHA IN CALCUTTA

BHEL's Bangalore plans

Bharat Heavy Electricals Ltd. (BHEL), Bangalore — a division of the New Delhi-based engineering behemoth — is gearing up for a major diversification of its product lines and an upgradation of its technology. When implemented, these measures are projected to increase the division's sales from Rs. 78.72 crores in the year ended 31st March 1986 to Rs. 360 crores by the end of the decade. An investment of Rs. 86 crores — to be derived entirely from the company's internal resources — has been earmarked for the diversification plan, and if all goes according to schedule, will be expended before 1990.

BHEL, Bangalore has two manufacturing divisions — electroporcelains and control equipment besides the industrial systems group — which provides a "one-point contact" for project engineering, marketing, sales, erection and commissioning of electrical drives and control systems for various industries.

The control equipment division is to supply — in partnership with ASEA of Sweden — valves and controls for the country's first direct current transmission line: a 910 km, 500 kv high voltage link between Rihand in Uttar Pradesh and Delhi. All electrical power utility related transmission in India is at present restricted to alternating current. "High voltage direct current transmission is superior because a greater amount of power can be transmitted. It also helps improve the stability of transmission systems and is economical when it comes to long distance bulk power transmission," says the division's executive director A. Madhava Rao, an electrical engineering graduate of Mysore University.

Training simulators. With a view to training engineers employed in highly



Madhava Rao: major diversification

sophisticated power plants and oil drilling platforms, the control equipment division plans to manufacture a range of training simulators. The division has also entered into a collaboration with General Electric, USA for the manufacture of controls for AC machines used in power plants and other industries. Besides, the division will manufacture microprocessor-based digital distribution control systems for power plants and process industries. "These control systems can be geographically and functionally distributed to fit process parameters and ensure high availability of power and accuracy of control — prime requirements of modern plants," says Madhava Rao.

The industrial systems group division has also launched an ambitious diversification plan involving the manufacture of

fast data highways to interconnect a number of programmable control systems, fibre optic transmission systems for data transmission and production monitoring systems for mines.

The electroporcelains division has also put the finishing touches on plans to manufacture disc insulators above 160 kv rating, hollow insulators up to 400 kv rating, 110 kv solid core insulators, ceramic fibres and special ceramic components such as steatite, cordierite and high alumina insulators and separators. The current range of products manufactured comprises high tension insulators suitable for 11 kv to 400 kv applications.

Meanwhile, an R&D centre, basically for research in ceramic technology, is being set up with UNDP assistance. The centre, which is to be subsequently upgraded into a national institute, will start functioning from next year.

If BHEL, Bangalore has been able to achieve what it has in the last decade from 1976, when it began operating in this city by taking over two sick units of the Karnataka government, Remco and Mysore Porcelains Ltd., it is largely on account of maintaining cordial relations with its 5,000 workforce, the introduction of quality circles — 95 at the last count — and 'suggestion schemes' for employees to improve performance.

Internal funding. The company as a whole has done well too, and has recorded a turnover of Rs. 1,700 crores in fiscal 1985-86 and a pre-tax profit of Rs. 130 crores. All diversification and expansion schemes of the company, involving an estimated investment of Rs. 300 crores, are to be funded from internal sources. For all its good showing, the fact remains that BHEL's order books are not as full as they ought to be. The company has lost several contracts for major power plants in India in recent years to manufacturers from UK, USSR and Japan to name a few. And that is because state power boards "are starved of funds" to set up new facilities. This has led to the import of power generation equipment financed through soft credits made available by some of these countries precisely to keep their own manufacturers in business. The loser in the bargain has been BHEL.

N. RAGHAVAN IN BANGALORE

Vanaz diversifies

The discovery of substantial reserves of associated petroleum gas and unassociated natural gas in recent years has quickly transformed the fuel usage patterns of the Indian middle class. Though accurate estimates are not easily available, over 5 million liquid petroleum gas (LPG) connections have already been installed in the country, and by 1990, another 10 million gas connections are projected to be installed.



Khandekar: "before we came on the scene, these items were being imported"

It is against this background that the Pune-based Vanaz Engineers Ltd. (VEL — sales: Rs. 12.86 crores in the year ended 31st December 1984), which manufactures LPG valves, LPG regulators and non-ferrous forgings, has recorded an impressive growth over the past few years and is now firmly set on the fast growth track. And in order to finance its expansion and modernisation plans, it is entering the capital market with a maiden public issue of 12,00,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share, which opens for subscription on 4th June.

Says S.K. Khandekar (65), an engineering graduate of the Banares Hindu University and the managing director of VEL, "The proceeds of the issue will be utilised to finance our long-term modernisation, diversification and expansion programmes which will involve an investment of Rs. 6 crores." The company has already acquired a 30-acre plot in the Satara district of Maharashtra, where it will set up a separate unit to manufacture forgings. On completion of the programme, its product mix will include *inter alia* automobile synchroniser rings (used in the gear boxes), gas meters, non-ferrous forgings (heavier ones in the 8-10 kg category) and carburettors.

Hefty share. VEL is a market leader in the manufacture of LPG valves and regulators, with a hefty 60% share of the national market and is a supplier to Hindustan Petroleum Corporation, Bharat Petroleum Corporation Ltd. and Indian Oil Corporation. The company was promoted in Bombay in 1949 by a group of five technocrats, *viz.* S.K. Khandekar, D.M. Phatak, V.P. Pitkar, K.S. Salvi and V. Nazareth, and began in a small way by manufacturing press tools, dies, jigs and fixtures. The major operations were then shifted to Pune in 1968.

The company first made its appearance on the national scene in 1961, when it commenced the manufacture of LPG valves and LPG regulators in collaboration with Burmah Shell. A year later it made a successful entry into the rather complex field of non-ferrous forgings (copper, aluminium, brass, etc.). "Before we came on to the scene, these items were being imported, involving a heavy outgo of foreign exchange and our pioneering efforts drastically changed the situation," recalls Khandekar with obvious pride and satisfaction. And so sound has the company's technical reputation been that it has passed on its know-how for the manufacture of LPG valves and regulators to Indo-Burmah Petroleum Ltd., a public sector company.

Apart from its proven technical competence, VEL also owes its pre-eminent position in the non-ferrous forgings business to its excellent labour relations, according to Khandekar. This is reflected

by the fact that the company has not lost a single minute due to labour unrest during its 37 years of existence. "We believe that although all our employees' names do not appear on the balance sheet, all of them nevertheless contribute to the performance of the company," says Khandekar, according to whom the minimum salary of a VEL employee is Rs. 2,200, a record for a medium-scale company.

Handsome reserves. VEL's financial track record has been as extraordinary as its record with men and materials. On an equity base of Rs. 21 lakhs (as on 30th June 1985), its reserves amounted to a handsome Rs. 2.14 crores. Later it made a 1:1 bonus issue which doubled its equity base to Rs. 42 lakhs. Thereafter it made an equity issue of Rs. 16 lakhs to promoters and workers to expand its equity base again to Rs. 58 lakhs. And a proposed 1:1 bonus issue (before the public issue) would still leave the company with reserves of Rs. 1.25 crores against an equity base of Rs. 1.16 crores.

"Due to the expanding market for LPG cylinders, our existing products will continue to be in demand, notwithstanding the growing competition in the field. As for our new products, we have already sold a sizeable number of automobile synchroniser rings to Mahindra & Mahindra Ltd.," says Khandekar, reflecting the positive outlook at VEL.

Above all, VEL intends keeping up its impeccable record in the area of import substitution. "Our aim is to develop a host of import substitutes which will have a good market in the next 3-5 years," says Khandekar outlining the company's future strategy. Given its present track record, there is little doubt that it will successfully do so. The foreign exchange savings that will result are thus only one of the many benefits that VEL will offer to the Indian citizen.

K. VISHWAM IN PUNE

Continental goes public

The wheel has turned a full circle. As the flurry of industrial activity to seek out uncharted avenues of business reaches a crescendo, industry is once again reverting to tapping the rich potential of the agrarian sector.

Despite the stability achieved in terms of production of foodgrains, the benefits of the Green Revolution have been confined to certain pockets in the rural sector, leading to the accentuation of regional disparities. While efforts are underway to spread the benefits of high technology to agriculture during the Seventh Plan period, such efforts are however crucially dependent on the availability of one essential input, which is a prerequisite of life itself — water.



Jain: pioneering role

The well laid plans of Arvind Jain (37), managing director of Continental Pumps & Motors Ltd. (CPML), which will enter the capital market with an issue of 8,20,000 equity shares of Rs. 10 each for cash at par on 12th May, centre around making this input available. A soft-spoken technocrat, Jain is credited with pioneering the indigenous development of turbine pumps used for the extraction of sub-soil water resources, which is the most common technology in vogue today.

"We started our operations in 1976 in a small way with our own R&D facilities and have succeeded in gaining market acceptance for our products quite easily," says Jain, who points out that the geographical thrust of the company's marketing activities has so far been aimed at the northern states. Indeed, CPML is credited with more than a 50% market share for its vertical turbine pumps in Uttar Pradesh alone.

Prestigious order. Moreover, laurels have come easy to the company even in the international arena. In 1983, CPML supplied pumps and motors valued at Rs. 1.1 crore to Bangladesh under a Japanese government aided programme. "We have also just received word that we have bagged yet another prestigious order in Bangladesh under a World Bank sponsored project against stiff international competition. We will be supplying 4,400 pumps valued at Rs. 4 crores in foreign exchange over a period of one year," says Jain, not without a touch of pride.

The challenges in the domestic market are no less exciting. In the Seventh Plan the government has earmarked more than Rs. 6,300 crores for minor irrigation schemes and over Rs. 6,500 crores for water supply and sanitation programmes. "The existing annual demand for six-inch to twelve-inch pumps with motors up to 30 hp is around 8,000 at present and growing rapidly. Since our present capacity is around 3,000, we hope to double this in a phased fashion to take advantage of the rich potential of this segment," explains Jain.

Building upon the considerable tecnnological expertise already accumulated at the company's Ghaziabad-based plant, Jain has also decided to tie up with a foreign manufacturer of standing in this line of business. "We are in the process of obtaining up-to-date technology for a new range of pumps from Flygt AB of Sweden," says Jain. This is no mean achievement as Flygt (sales turnover: Rs. 2,000 crores in 1985) has established a presence in 100 countries and has a 40% share of the global market for pumps and mixers.

Although the details of this tie-up are not yet clear, it would appear that Flygt is keen on an equity-cum-technological participation in CPML. Jain however prefers a transfer of technology agreement *simpliciter* as he is confident of the technical base of his operations. This strategy will allow CPML to develop larger size pumps which will give the company a complete range from 1 hp to 100 hp.

In addition, the company also plans to manufacture submersible pumps for the first time in the country. "In order to cater to the requirements of the sewerage, construction and mining industries, we will commence production of specially designed pumps in order to reduce the large volume of imports on which these industries are dependent," says Jain.

Cost advantage. Once these expansion and diversification plans take effect, CPML's annual sales turnover is predicted to rise from the current Rs. 2 crores in the year ended 30th September 1985 to Rs. 10 crores over the next three years. "With an initial cost advantage of 40%-60%, we should be able to declare a minimum dividend of 15% right from the first year," claims Jain.

CPML's attempts to boost agricultural productivity within the economy will undoubtedly pump rich rewards into the pockets of its shareholders as well.

ANAND P. RAMAN IN NEW DELHI



More rubber

That's what the new Ceat C 800 offers. This sleek premium-depth car tyre is packed with extra rubber.

More mileage

And what the extra rubber gives is extra mileage. The sleek design of the C 800 reduces drag and improves fuel efficiency.

More Ceat

The new C 800 has all the benefits of the advanced Ceat technology. And the C 800's lightweight design with angular zig-zag ribs is a direct result of this technology. So that you get extra stability and smoother rides.

CEAT

Going your way.

ULKA-CT-TM-85 R

Managing corporate recovery

TARUN GUPTA



The dramatic turnaround of IEL Ltd. (formerly the amalgamated Indian Explosives Ltd.) in India provides an outstanding recent example of managing a corporate recovery. True the parent ICI group in Britain is also reported to have bounced back, but for students and monitors of the indigenous corporate scene, the IEL experience in India provides an object lesson of turnaround management.

Corporate recovery first of all must have measurable yardsticks. These have to be set first before initiating a corporate turnaround programme. By all possible yardsticks, IEL demonstrates a dramatic turnaround: increase in earnings per share, increase in sales and margins and in profitability. Not so easy to measure, but perhaps the most important yardstick is the overall improvement in the morale of managers.

What messages, if any, does the IEL turnaround experience provide?

First of all, that no company of any size ever slides into a trough overnight. The writing begins to appear on the wall well in advance. But managements generally choose to ignore it. The tell-tale signs of incipient sickness: inventory is high; cash flow is poor; projects run well above time and money limits; far too many managers get appointed to staff jobs; empire-building goes unchecked; sales are low; stagnation sets in and a disproportionate effort needs to be made to record minor improvements in the volume of production. Above all, the corporate mission is blurred, objectives become unclear and self-defeating though the dominant feeling is that all is well with the company.

This misplaced complacency prompts the company's managers to believe that a new product, a new process or a diversification plan is the solution to steer the company out of trouble. But of course, diversifying an ailing company's product mix or businesses without first attending to the basic malaise that has gripped it, is certain to further debilitate it.

IMPENDING DISASTER

The famous American management guru, Peter Drucker, quite categorically states that companies die from the top. It is usually the top management which is unwilling to pick up the signals of impending disaster, ignoring them until it is too late.

When Drucker talks about companies dying from the top, he is unlikely to have had in mind the charge that in sick companies managements have failed to perform. The problem is often not that simple. In the case of the ICI group's India operations, students of management will recall how the company was carved up into four separate entities with each company catering to a different product market and then, in the early eighties, a decision was taken to pull them all together into a single corporate entity under the IEL umbrella.

Obviously, structural problems are created by promoting so many companies. This is because structures and strategies lose their clarity and action orientation if they are not clearly conceived. The most critical fallout of promoting numerous inter-related companies is that such a structure gives rise to a great number of staff jobs which increase overhead costs disproportionately. The layers of management increase, objectives get lost, action is not forthcoming and there are too many procedures that stifle initiative.

Unfortunately I do not have enough data to record how the turnaround in IEL was engineered. However, some general principles of turnaround management are universally valid. It is submitted that the prerequisites of corporate recovery are:

(a) Clear statement of mission.

(b) Statement of objectives for each division, business or product group in terms of profits, sales and investment plans.

(c) Clear enunciation of corporate strategy in language which can be understood at all levels within the organisation.

(d) Periodic (e.g. quarterly) assessment of action plans to ensure that they are operating as per budget.

(e) Initiation of an effective and professional skills development programme and provision for measurable autonomy to division or business heads for better results.

(f) Insistence on accountability so that all executives and staff know what is expected of them.

(g) Initiating a programme to shed or relocate surplus staff. In India, this is a major management decision. This is an area in which a management's ability is put to a crucial test.

RECOVERY STRATEGIES

In my opinion, it is very important that corporate managements do not wait until a turnaround is urgently needed. It is always advisable to look at one's own business analytically and through vigorous thinking arrive at two or three business areas where corporate recovery strategies can be implemented without spending a great deal of time in drawing up a 'master plan' which is likely to be invalidated by fast changing events.

To initiate a corporate recovery programme, top management needs to ensure that it:(i) examines all the popular criticism directed against the company or division's business (ii) relates itself to the competitive strengths of the competition; (iii) examines the company or division's cost structure to make it efficient and improve profitability; (iv) examines changing consumer attitudes – consumers are likely to demand different measures of satisfaction or benefits from those being offered now; (v) studies whether the structure of the market or the distribution network is undergoing change; and (vi) examines whether opportunities in existing lines of business are going abegging.

It is possible for an ailing business organisation to initiate a corporate recovery programme by addressing itself honestly to these issues. While the process calls for considerable insight and time, the results can indeed be rewarding.

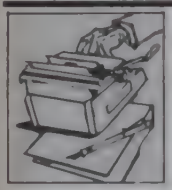
Finally, an aspect of critical importance in developing and undertaking a corporate recovery strategy for an ailing company is to pin-point areas where performance is sub-optimal and to ascertain the cause. The ability to identify such areas is a good indication of the analytical abilities of a top management team. At the same time, a process of converting inevitable dissatisfaction into constructive purposes is necessary. Effective managements are those which fight complacency continually and constantly examine the key areas of each business with a view to improving efficiency and effectiveness. That is a proactive way of chalking out corporate recovery strategies.

Pick of the jobs



"The picture in West Asia is becoming increasingly depressing as far as employment opportunities for Indian managers are concerned. In Kuwait, the UAE, and Bahrain, employment has almost come to freezing point and in Oman it has reached a plateau. Unless there is a more constructive approach by our government, opportunities will dry up further and we'll be faced with the prospect of providing jobs to the Gulf-returned, whose expectations are high," observes Dr. S.K. Parukh, director of Beam Services, one of the older and more reputable management consultancy firms in Bombay.

PROJECT SALES MANAGER



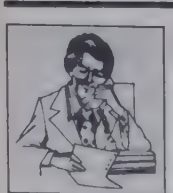
A large trading house in West Asia, engaged in the business of marketing entertainment and professional electronic products and luminaires has retained Beam Services to locate a project sales manager.

To be eligible for consideration, aspirants should be electronics engineers, around 30 years of age, with at least two years' experience of marketing electro-acoustic products, public address systems, communication systems, colour television receiver sets and central antenna systems. They should be able to execute projects and lead a team of service engineers and technicians.

The remuneration contemplated is around Rs. 8,000-10,000 per month, complemented with lavish perquisites of West Asian munificence.

Enquiries to Beam Services, I Colaba Chambers, Bombay 400 005. Tel: 4950122

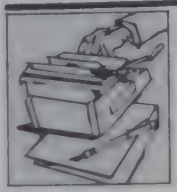
PERSONNEL MANAGER



Beam Services is looking for a personnel manager for a reputed Bombay-based company which manufactures and markets automobile tyres and tubes. Candidates should be postgraduates in personnel management, between 35-40 years of age and should have around 15 years' experience in a similar field.

The appointee, who will be responsible for all personnel functions, including administration and industrial relations at the factory and head office, will be offered a salary of Rs. 50,000 and above per annum plus liberal perquisites.

PROJECT MANAGER



A multinational agro-chemicals manufacturing company in Bombay has also retained Beam Services to find a project manager.

The aspirants should be chemical engineers, around 40 years of age, with at least five years' experience at a senior level in a responsible position as head of production in a company manufacturing agro-chemicals.

The salary contemplated is Rs. 50,000 per annum plus excellent perquisites including house rent, motor car and leave travel allowances.

GENERAL MANAGER—WORKS



Beam Services is also looking for a hard-core production man to take over as general manager (works) of a company which processes and markets soya bean oil in Madhya Pradesh.

For this position, aspirants should be chemical engineers or oil technologists in their mid-thirties, with 10-15 years' experience, preferably in a company manufacturing edible oils. The appointee will look after production as well as administration of the company's soya bean oil processing factory. For the right candidate, the salary is his for the asking and residential accommodation may also be provided.

MARKETING DIRECTOR



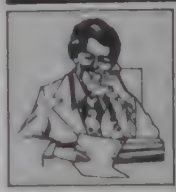
Marketing Advisory Services, Bombay is in the market for a high-flying, result-oriented marketing director for a large, growing multinational pharmaceutical company based in Bombay, which is all set to dilute its equity.

Candidates interested in taking a shot at this top level marketing position should preferably be postgraduates in business administration, between 35-45 years of age and have at least 15 years of hands-on-experience of marketing and product management. Familiarity with the use of computers will be an additional advantage.

The salary contemplated is Rs. 1,00,000 per annum plus a chauffeur-driven car and other liberal benefits. The remuneration package is negotiable on the higher side for the exceptional candidate.

Enquiries to Marketing Advisory Services, 541, Eleventh Road, Bombay 400 071. Tel: 5518027

SALES MANAGER — INDUSTRIAL PRODUCTS

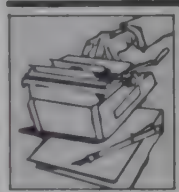


Marketing Advisory Services is also scouting around for a sales manager (industrial products) for a recently promoted company marketing a new, innovative industrial product. The appointee will be based at the company's Bombay headquarters.

To fit the bill, aspirants should be graduates with a proven record in the sales management of industrial products and should be between 30-45 years old.

The remuneration package contemplated is over Rs. 60,000 per annum plus motor car and other perquisites.

EXECUTIVE — CORPORATE RELATIONS

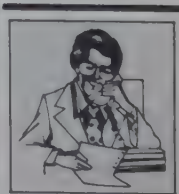


A multinational company dealing in consumer goods and pharmaceuticals has retained Marketing Advisory Services to find an executive (corporate relations) who will be based at its headquarters in Bombay.

To qualify for consideration, candidates should preferably be postgraduates in the humanities, between 25-30 years of age and possess additional qualifications in terms of experience in journalism and/or public relations. Candidates should be good writers, free to tour extensively and capable of maintaining good relations with the press.

The remuneration package contemplated for this interesting job is in the vicinity of Rs. 50,000 per annum.

TECHNICAL DIRECTOR



Personnel Search Services, Bombay is looking for a technical director to be based at the corporate headquarters in Bombay of a reputed pharmaceutical company. The com-

pany has a current annual sales turnover of Rs. 30 crores and multi-plant operations.

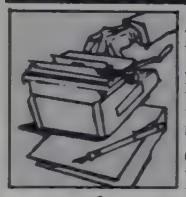
Candidates should be graduates in pharmacy, preferably with postgraduate qualifications. They should be between 40-45 years of age and possess around 20 years' broad-based experience in factory management and the various facets of manufacturing pharmaceuticals. They should also have had a fair exposure to quality control and R&D at some stage in their careers.

The appointee will advise the managing director on all technical matters including production, quality control and R&D.

The position offers a very attractive salary and perquisites package, including residential accommodation and a company-maintained motor car.

Enquiries to Personnel Search Services, 45 Bajaj Bhavan, Nariman Point, Bombay 400 021. Tel: 2027207, 2022885 and 257087

GENERAL MANAGER — PERSONNEL



A large, well-known synthetic fibres manufacturing company based in Bombay with a current annual sales turnover of over Rs. 100 crores and a long history of industrial peace, has retained Personnel Search Services to scout around for a general manager (personnel) to take overall charge of the personnel and industrial relations functions of the company.

For this key position the ideal candidate would be an individual in his forties, with an excellent track record and exposure to all facets of the personnel and industrial relations functions. He would possess good leadership and management skills and a demonstrated ability to develop and maintain a motivated and committed workforce.

The salary contemplated is attractive and negotiable. The perquisites offered include a company-maintained motor car, residential accommodation if required and excellent allowances.

GENERAL MANAGER — MARKETING



A fast-expanding, medium-sized pharmaceutical company based in Bombay requires a general manager (marketing) to take overall charge of the entire marketing and sales function of the company.

On its behalf, Personnel Search Services is gunning for a live-wire marketing man who has his antennae tuned in to what's happening in the marketplace The company has achieved a growth rate of around 40% per annum over the last few years and expects to maintain this rate of growth in the future as well.

Aspirants for this position should be between 40-45 years of age, with 20 years' experience in all aspects of marketing pharmaceuticals, including field sales, product management, sales promotion and distribution.

For candidates already holding a similar position and possessing an exceptional track record, the position could be upgraded to that of a vice president with additional charge of the export, materials and personnel portfolios as well.

The remuneration package is negotiable in the region of Rs. 1,50,000-1,60,000 per annum.

DEPUTY GENERAL MANAGER — FINANCE



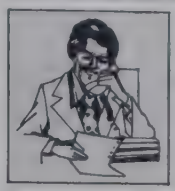
A large and reputable engineering group of companies which has an aggregate annual sales turnover of Rs. 60 crores and is diversifying its operations by promoting a cement project in Rajasthan, has retained Career Placement & Marketing Services to recruit a financial wizard to take over the reins as deputy general manager (finance).

For this top level position aspirants should be commerce graduates with cost accountancy qualifications and be in the age group of 40-45 years. They should be able to independently handle the maintenance of accounts on site, including the accounts pertaining to construction. They should also possess the ability to prepare various statements in regard to project cost estimates and be able to negotiate with the financial institutions and banks to obtain financial assistance for the project. The ideal candidate would also have full knowledge of foreign exchange regulations to secure the approval of the RBI for the import of equipment, the payment of fees and other expenses of foreign consultants; and handle all matters relating to finance, accounts and budgeting as is required for promoting a new project.

The appointee will be posted in the Bombay office of the company for one year and then on site in Rajasthan. The salary contemplated is Rs. 5,000 per month plus wide ranging perquisites.

Enquiries to Career Placement & Marketing Services, P.B. No. 8105, Bombay 400 051. Tel: 6421794

CHIEF EXECUTIVE



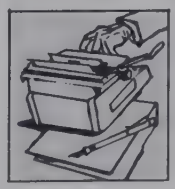
Career Placement & Marketing Services has also initiated an extensive search for a high-calibre chief executive for a company based in Madras, which manufactures electronic components and has an annual sales turnover of around Rs. 30 crores.

To qualify for consideration, aspirants should be electrical or electronics engineers, between 40-50 years of age, preferably possess a postgraduate qualification in business administration from a recognised institute, and have at least 15-20 years' experience, out of which 10 years' should have been in a senior managerial position. They should be strong in the marketing and finance functions and should preferably have one to two years' experience in the production function as well.

The job entails overall responsibility for the entire operations, profitability and growth of the company.

The compensation package contemplated is Rs. 6,000 per month or more plus lavish perquisites.

CHIEF EXECUTIVE



Career Placement & Marketing Services is also gunning for a high-powered chief executive to take charge of a new mini-steel plant in Hyderabad, which is part of a reputed group of industries manufacturing sugar, alloy steels, etc.

For this apex level position, candidates should be graduates, preferably with postgraduate qualifications in business administration. They should be below 40 years of age, and have at least 10-15 years' general management and project experience, out of which seven to 10 years should have been in a senior managerial position. Those with experience of setting up a mini-steel plant would stand a better chance of being selected.

The compensation package contemplated is a hefty Rs. 10,000 per month or thereabouts plus liberal perquisites.

Indra Gidwani

Don't be left out in the dark!



Book your *Little Genie*® generator now. Right now!

ere was a time when the "power problem" meant those itating 'cuts' during your favourite TV programme. But that on became a regular feature. So did spending a long, hot mmer without a fan. Or seeing your children struggle with eir homework by candlelight.

r some people, the price of power failure is much eavier. Many a shop owner has to face the fact that no ower most often means no business. In some unfortunate ases the cost can be as dear as life itself. In a hospital or ursing home, for instance.

es. One look around you could make you feel you're back the Dark Ages. So how do you light things up again?

he magic answer

's the Little Genie from Birla Yamaha.

A compact, portable, fuel-efficient generator, that puts ower at your command, when you want it... where you ant it.

o make sure you get your Little Genie generator when you ant it, book right away.

here are four models to choose from. All products of nternational quality, backed by an efficient service network. ittle Genie generators come with a 1 year guarantee. nd an assurance of prompt after-sales service.

Ve will, initially, be introducing two models. The Little enie 900. And the Little Genie 2000. Later this year, we will ring you the Little Genie 600 and the Little Genie 2800.

hese generators, with outputs ranging from 0.5 KVA to 2.5 KVA, can make light of a power problem anywhere. At ome. In shops, clinics, petrol pumps, banks, offices, video arlours. And even outdoors. In film/video shooting units, defence camps or mobile vans.

What's more, each of these models also provides a DC utput to facilitate charging of batteries, wireless sets, etc.

Why wait until dark!

n these days of power shortage and failure, the demand or portable generators is indeed tremendous. So, if you eed a generator, book now. Leaving it for later may leave ou out in the dark. And that's something you don't want, do you?

Booking for Little Genie generators is now open. So book our own Little Genie now. If you book before May 31, 1986, you don't even have to pay an advance! Just a ominal registration fee of Rs.100/-.

So write to us. We'll mail you the product literature and our registration form too. After that, it won't be long efore the Little Genie brings its magic into your life!



Special Introductory Offer!
No advance required on orders booked before 31st May, 1986

BIRLA YAMAHA LTD.
Regional Sales Manager, A-7, Ring Road, South Extension Part-I, New Delhi 110 049.
Tel. No: 693183/694097/617861. Telex: 31 66872 TCL IN.

Now! Bring the Little Genie into your life!

Sista's-BY-27/86 C



Cadbury House, Bombay: hitherto a rock-like fortress of conservatism, now a big name on the small screen

Cadbury's sweet taste of success

BY DILIP THAKORE

The belated dawning of the television age and the galloping demand for its eleven brands of chocolate have thrust the hitherto conservative Hindustan Cocoa Products Ltd. (formerly Cadbury India) into the national limelight.

One consequence of the rapid growth and popularity of television – the hottest communication medium of the eighties – has been the projection into the national limelight of hitherto low profile consumer product companies. As the number of television transmitting stations has increased from a mere 16 in 1980 to 180 in fiscal 1985-86, and the population of television receiver sets has grown from one million to six million over the same period, consumer product companies such as Parle Exports Pvt. Ltd. (which manufactures and markets Thums Up and Limca), Pure Drinks Pvt. Ltd. (Campa Cola), the Gujarat Cooperative Milk Marketing Federation Ltd. (Amul) and Hindustan Cocoa Products Ltd. (formerly Cadbury India) among others, have become household names.

But though some information about most of these hitherto low profile companies which are beginning to aggressively project their products and themselves on the small screen has been filtering through the print media, one company which has been a rock-like fortress of conservatism has been Cadbury India which metamorphosed into Hindustan Cocoa Products Ltd. (HCPL) in 1982. However, encouraged no doubt by the assumption of office in New Delhi of the less Left-leaning Rajiv Gandhi administration as also by the belated dawning of the television age – which has provided it with the ideal advertising medium – the HCPL management is beginning to come out of its shell.

The induction of a more level-headed and less

anti-multinational government in New Delhi and the dawning of the television age apart, HCPL's emergence from the shadows into the national limelight is also the consequence of preparing the ground for a grand entrance.

Over the past almost three decades, the Bombay-based company has pioneered the plantation of cocoa within India so successfully that the need for cocoa imports which in 1979 cost the economy Rs.4 crores in foreign exchange has been completely eliminated and India has in fact, now emerged as a net exporter of this prized commodity.

This development has effectively drawn out the sting of HCPL's critics whose standard argument had been that the country was utilising scarce foreign exchange to import cocoa to manufacture chocolates, a product consumed by a small elite minority. In addition, the smashing success with which it launched its new Cadbury Dairy Milk chocolate in 1984 and the overwhelming public response to it, has undoubtedly buoyed spirits within the company sufficiently for it to raise the corporate veil.

"I don't think we have deliberately followed a policy of maintaining a low media profile. Perhaps our unconscious lack of any major effort in this regard has been the result of our emphasis on and preoccupation with our efforts towards 'doing things' which include improvements related to our packs and products which the consumers can see for themselves. We have done a lot in that direction in the last few years. In any case the readiness with which we have agreed to this interview with *BusinessWorld* is itself an indicator that we are not shy of the media. In fact we are happy to have this opportunity to tell you about the progress we have made," says C.Y. Pal (49), president and chief executive of HCPL.

PROFIT MAINTAINED

Indeed Pal, a mechanical engineering graduate of Delhi University who began his career in TELCO (1958-60) and went on to serve in Hindustan Lever for 17 years before he joined HCPL in 1977 as technical director and who was appointed the company's chief executive in January 1983, has much cause for satisfaction. Since the time he was appointed HCPL's first Indian chief executive, the company's sales turnover and pre-tax profits have leaped upwards by 34.16% and 44.34% to Rs.49.17 crores and Rs.5.27 crores respectively in the two years ended 30th June 1985. The general expectation both within and without the company is that the annual growth trend of 35% in post tax profit (Rs.2.12 crores in 1984-85) will be maintained. This probably explains why the equity share of the company (Rs.10 paid up) is currently (25th April) quoted at a handsome Rs.110 in the Bombay stock exchange.

Yet if currently there is a general feeling of satisfaction bordering on euphoria within the 38 year old company, the cause thereof is attributable to factors much beyond comforting financial performance indices. In a market segment in which the effective demand for chocolates and malted milkfoods is rising by an estimated 20% and 7%-8% respectively, the company's chocolate brands (5 Star, Gems, Nutties, Double Decker, Krisp, Bournville Dark, Fruit & Nut and Cadbury's Dairy Milk chocolate) and malted milkfood (Bournvita) are solidly established. According to *BusinessWorld* estimates in 1985 HCPL had a 60% share in value terms of the Rs.54 crore national market for chocolate produced in the organised sector and a 22% share of the Rs.110 crores per annum malted milkfoods market.

Despite the prospect of intensifying competition within the chocolate manufacturing industry in the near future, the overwhelming market response to HCPL's Cadbury Dairy Milk chocolate launched in October 1984 (which already contributes over 30% of the company's annual sales turnover) is likely to enable it to retain its market share. As a consequence of the Rajiv Gandhi administration having 'delicensed' the chocolate manufacturing industry under its liberalised industrial licensing policy, several consumer product manufacturing heavyweights are all set to enter this line of business. Among them: Malhotra International Pvt. Ltd., whose rough and ready managers have seized an estimated 80% share of the national market for razor blades; Wallace Flour Mills Ltd. and Campco, a large Mangalore-based farmers' cooperative.

Pal: competition welcome



Nevertheless given the highly successful launch of Cadbury's Dairy Milk and the highly effective use the company's management has made of the hot new medium that is television – three of its four sponsored programmes *Chhaya Geet*, *Karamchand* and *Ek Kahani* figure in the list of the top 10 most popular programmes of most television viewership surveys – the company's managers are unfazed by the prospect of imminent competition. They believe that intensifying competition is more likely to pose problems for HCPL's competitors while conferring upon the company the benefit of an expanded market. "We already have a fair amount of competition which will intensify in the near future. But when we undertook to encourage cocoa growing on a large scale we were aware of the possible competition that would emerge. It would therefore be fair to say that we welcome competition which I am sure will keep us on our toes and help us to say ahead," says Pal.

The confidence that the company's managers exhibit about HCPL's ability to take on all competitors – some of whom are entering the Indian market with top rank Swiss collaborators – is not mere bravado either. Over the past 38 years since Cadbury Fry (India) Pvt. Ltd. commenced doing business in this country as the sole selling agents for the Britannia Biscuit Co. (as it then was nomenclatured), HCPL managers have acquired formidable skills in manufacturing and marketing chocolates for a nation with a collective sweet tooth.

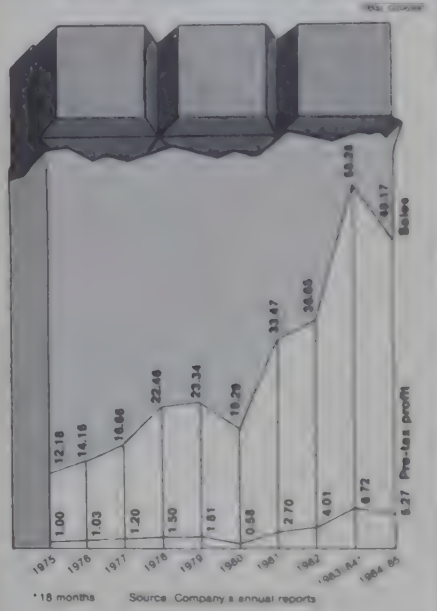
CAREFUL SELECTION

"Contrary to popular opinion, the chocolate and malted milkfoods manufacturing industry is not a low technology business. On the contrary it is a skill oriented industry in which plant and equipment has to be very carefully selected to ensure productivity, and quality and process parameters have to be set and controlled with considerable skill to facilitate systematic experimentation. In this line of business we are processing a natural raw material, i.e. the cocoa bean, the quality of which

may differ from batch to batch. Processing such a raw material requires a high level of shopfloor, supervisory and managerial skills. True, anyone can make chocolates but only a very few can make good international class chocolates as we do in HCPL," says T.V.G. Krishna Murthy (40), a graduate of IIT, Madras and IIM, Ahmedabad who is the vice president (technical) of the company and who supervises the production, quality control, research and development, engineering and product development and projects within HCPL.

In support of his contention that HCPL manufactures international quality

HCPL's impressive growth



chocolates despite having to process the indigenous cocoa bean which is "not quite up to world standard" Krishna Murthy – who began his career as an engineer in Grindwell Norton (1969-76) and then set up and managed a pharmaceuticals manufacturing unit in Indonesia prior to signing up with HCPL last October – cites the verdict of the final arbiter: the customer. "For every single product that we produce, the demand outstrips supply. This is why we are in the final stages of taking a decision to construct a new factory in Madhya Pradesh which will augment our 1984-85 production of 4,893 tonnes of malted foods and 5,388 tonnes of chocolates by 40% within the next two years. I believe HCPL has a good future. We have a high level of shopfloor and specialised skills within the company which for example will enable us to design in-house 80% of the plant and equipment for our proposed new factory. This apart, our engineering and product development R&D (research and development) departments are active and well manned with over 40 specialists in each department. I think we are ready for all competition," says Krishna Murthy.

But if the HCPL management is currently sitting pretty within the indigenous chocolate and malted milkfoods markets (see tables p.47) and is poised to sharply increase production, this happy circumstance is not entirely fortuitous. For over two decades successive managements of the company have exhibited unusual foresight in the matter of securing the company's raw materials, i.e. cocoa beans, supply base.

Karnataka and Tamil Nadu were suitable for growing cocoa. Therefore in 1965, Cadbury India began growing cocoa on its 200 acre demonstration farm in Chundale, Wynad district, Kerala.

The results have been spectacular. With the company providing aid and advice by way of subsidised fertiliser and seedlings as well as expert counselling, the area under cocoa cultivation has increased to over 17,000 acres on which over 1 lakh growers – most of them small marginal farmers – produced 4,000 tonnes of cocoa valued at Rs.14 crores in the agricultural year ended 30th June 1985. This volume of



Krishna Murthy: "high level of shopfloor and specialised skills within the company"

Until 1983, India imported varying tonnages of cocoa beans, the vital raw material for the manufacture of chocolates and malted milkfoods. With the value of imported cocoa beans rising to Rs.4 crores in foreign exchange in 1979, the domestic chocolate manufacturing industry particularly Cadbury India (as HCPL was known until 1982) came under sharp criticism mainly from leftist politicians who dominated Indian politics throughout the populist sixties and seventies. The commonly made charge against the company was that it was expending scarce foreign exchange to manufacture chocolates and its derivatives for elitist consumption.

MASSIVE DEVALUATION

The successive foreign exchange crises of the sixties which culminated in the massive devaluation of the rupee in 1966 and threatened HCPL's supply of raw materials prompted the company to invoke the aid of experts from Cadbury Schweppes (UK) to examine the possibility of growing cocoa indigenously. A national survey conducted by them indicated that several areas in Kerala,

production has completely eliminated the need for cocoa imports and indeed, has converted India into a net, though marginal, exporter of the commodity.

The fact that it has ensured a regular and uninterrupted flow of cocoa beans into the factories of HCPL and other chocolate and malted milkfoods manufacturers who have been encouraged to enter the industry apart, HCPL's pioneering role in initiating the plantation of cocoa has had tremendous spin off benefits for the economy. According to K.A. Muthanna (53), an agriculture sciences graduate of Bangalore University who is the Chundale-based chief cocoa adviser of HCPL, over 99% of the 1 lakh cocoa growers in India are small farmers with land holdings of less than five acres each.

"Most of the cocoa grown in India is interplanted with plantation crops such as coconuts or arecanut. This benefits the farmer considerably because it results in more intensive cultivation of land already under cultivation. Economically too the farmer who grows cocoa stands to benefit considerably. The cocoa plant takes a period of five years

to mature. During this period the cost of cultivation per acre over the entire five year period – which is usually financed by commercial banks and NABARD – is about Rs.15,000. As against this, once the plants mature a farmer could easily earn Rs.8,000 per acre per year over the 60 year average life of the plant," says Muthanna, a former coffee planter who went to Ghana and Nigeria in the early fifties to study cocoa plantation techniques prior to joining Cadbury India in 1964 and setting up the company's demonstration farm in Chundale in 1965.



Muthanna: pioneering effort

Not surprisingly, Muthanna and HCPL have won the friendship and the gratitude of over 1 lakh farmers in the three southern states whose net incomes have risen by Rs.8,000-10,000 per acre annually because of their pioneering efforts to cultivate the cocoa bean in India. This development which has augmented the incomes of such a large number of farmers and created an estimated 5,000 rural jobs (excluding the 1 lakh grower-farmers) has taken the wind out of the sails of the critics of the company. "I see a very bright future for the cocoa plantation industry in India. By the turn of the century I expect the total area under cocoa to increase from the current 17,000 acres to 80,000 acres and production from 4,000 tonnes per annum currently to 30,000 tonnes which means that India could well become a significant exporter of cocoa," says Muthanna.

Undoubtedly the management of HCPL has exhibited considerable foresight and expertise in securing and expanding its raw materials' base and "controlling the process parameters" (in T.V.G. Krishna Murthy's words) in the company's two factories at Thane and Indori (near Pune). Yet if HCPL has attained an overwhelmingly dominant position in the indigenous chocolate manufacturing industry, a major share of the credit must be given to its marketing personnel who have made Cadbury's one of the most famous brand names in the country.

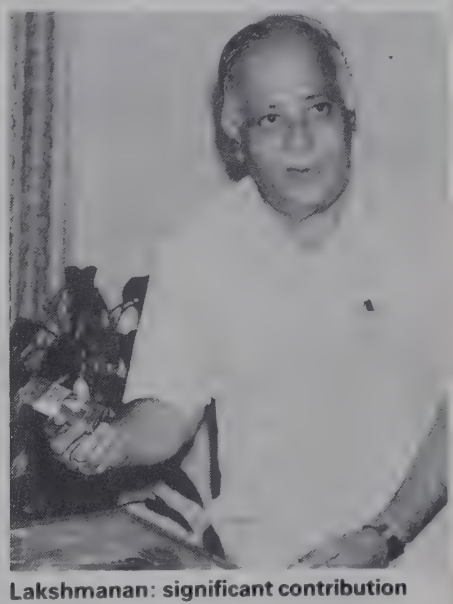
HCPL managers freely admit that given the relatively low purchasing power of the rural citizen, the company's target audience is entirely urban. They also admit that within the urban sector of the economy, the company's chocolates and its malted milkfood marketed under the brand name Bournvita, are available in only 20% of the 3,250 towns of varying sizes which constitute urban India. Sales in the largest 100 towns contribute 75% of the company's annual sales turnover.

POPULAR BELIEF

Yet despite HCPL's patent urban orientation, Aadhi Lakshmanan (55) who joined Cadbury Fry India way back in 1949 as the company's first salesman for chocolates, and who is currently the vice president (sales and marketing) of HCPL, disputes the popular belief that the company's chocolates are too pricey.

"Most Indian sweets or *mithais* – which incidentally are not subject to excise duty – are priced at Rs.80-85 per kg. As against this the average retail price of Cadbury's chocolate is Rs.90 per kg. Yet for the additional Rs.5 per kg which a purchaser of chocolates pays, look at the benefits he derives: a hygienically manufactured and protectively packaged confectionery with a six to eight month shelf life *cf.* the 48 hour shelf life of *mithai,* and controlled moisture in the product. Besides chocolates offer the advantages of being easily transportable, easily stored and convenient to eat. If chocolates are not popular in rural India, it is not because they are expensive but because incomes in the countryside are very low. Therefore it is only a matter of time as rural incomes rise that a huge new rural market for chocolates is created," says Lakshmanan.

In particular Lakshmanan bridles at the oft-made criticism that because chocolates and malted milkfoods are inessential luxuries consumed in the main by a relatively affluent urban minority, HCPL's existence and prosperity is peripheral to the national interest. "By pioneering the growing of cocoa within the country, HCPL has not only played a major role in creating a new export potential agro-industry but has also generated sizeable additional incomes for over 1 lakh rural citizens. In addition, in the year ended 30th June 1985, the company paid a by no means insignificant sum of Rs.15.44 crores to the Central and state governments by way of excise duty, sales tax, corporate income and surtax and customs duty and octroi. And apart from providing direct employment to over 2,000 citizens at very high wage levels within the company, the company has augmented the incomes of 1,000 wholesal-



Lakshmanan: significant contribution

ers and 1 lakh retailers all over the country who sell HCPL products. Add to this the pleasure and satisfaction that millions of citizens derive from eating our chocolates and you will see that our contribution to the economy is by no means insignificant," argues Lakshmanan.

Be that as it may, if there is a demand upsurge for chocolates and malted milkfoods in the near future as Lakshmanan anticipates, there can be little doubt that HCPL is in the best position to cash in on it. Over the years the company's marketers have honed their consumer product marketing skills to a formidable edge. According to Lakshmanan, the company's marketing strategy for each brand is built around the three major elements of the conventional marketing mix: product development with the objective of ensuring consumer satisfaction; distribution or dealer push which ensures that the brand is easily available and highly visible in the marketplace; and theme-based advertising which stimulates sustained consumer demand.

BHADRACHALAM PAPERBOARDS LIMITED

An enterprise promoted by I.T.C. Limited.



'From your Company's experience in having related to a backward area for close to a decade, it is my view that a cultural change in approach is necessary, which may best be embodied in a Long Term Backward Area Policy statement.'

PERFORMANCE HIGHLIGHTS

You would have observed that the profits for the year have registered a substantial increase compared to 1983/84, during a period when afflictions of the industry at large continued to prevail, growth in market demand was nominal, and competition was intense particularly from small mills, which greatly benefited from increased doses of support from the government. **The results of the year intrinsically reflect the output of an optimum combination of entrepreneurship and professional management.** This combination is characterised by its dedication to resource productivity in its widest sense, product superiority and customer service at all times, a strategic decision taking process which anticipates and counters threats, while seizing opportunities with both hands when they appear, yet sufficiently disciplined to desist exposing its environment and ecosystems to peril and conducting its operations in a manner that befits an upright corporate citizen. It would please you to know that your Company's products enjoy the highest reputation, your mill's consumption of forest based raw material and energy, both scarce resources, are the lowest in the industry, and your Company's capacity utilisation, manpower productivity and chemical recoveries surpass the best performance on each count of any member of competition. Rigorous cost-effective measures and inflation management are your Company's distinguishing features of profitability.

I am pleased to report that **your Company has once again won the National award for the best productivity performance in the paper industry. To have been conferred this award every year since its inception and three times in succession, is no mean achievement.**

MANAGEMENT OF GESTATION — THE BPL EXPERIENCE

I would like to inform members that your Company's promoters were invited to set up your Company at Bhadrachalam in Khammam district of Andhra Pradesh. The State Government extended a need based package of time-bound and performance-bound concessions and incentives for accelerated industrialisation in the State, including those specifically applicable to backward and tribal areas. The Central Government was conscious of the fact that no integrated paper mill had come up in the past fifteen years as the prospects of economic returns in a rapidly escalating capital-intensive industry were not only unattractive but positively repelling; and the concessions then in force were totally inappropriate for new units. It was indicated to the promoters that nearer the time of commencement of operations, more appropriate provisions would be enacted to relieve the fundamental burdens of capital intensity. Your Company's project was appraised by the promoters and the Financial Institutions on these premises and assurances.

The actual implementation of these concessions is too well known to bear repetition. Suffice it is to say that concessions arbitrarily denied by the State exceed Rs. 5.5 crores at the present time and cost of interest free sales tax loan not disbursed at all, amounts to Rs. 3.5 crores in addition. In as far as the Central Government is concerned, it announced a scheme of 50% remission of excise to new capital intensive units only in 1981, full eighteen months after the start up of your Company's new mill. But it debarred its application to board and kraft, your Company's principal products, until three years later. And when it finally conceded the point in 1984 that all products of the capital intensive paper industry should qualify for fiscal relief, the concerned notification effectively reduced the availment period to only 21 months out of the purported five years. The prescribed time span has just expired, but because of the limited application of the scheme to selected products of a new unit, Rs. 4.5 crores stands lost forever. This excludes the monetary value of delayed commencement of the scheme in any case, which itself is an equal amount.

It will thus be seen that your Company has suffered in two ways. Firstly, concessions legitimately due to the Company by the State and Central Government to the tune of Rs. 10 crores have been unfairly denied. Secondly, delayed implementation of the assistance schemes has burdened your Company with avoidable costs totalling another Rs. 8 crores. Had your Company not attained the commendable heights of production and productivity during the past six years, whereby 70,000 tonnes of output in excess of projections were marketed at a net earning of approximately Rs. 16 crores, your fledgeling Company would have been in serious trouble. It has been a struggle for survival all these years, and your Company has been compelled to take defensive positions in order to avert extinction.

It will thus be seen that the earnings of super productivity which ordinarily would have enabled surpluses for distribution as dividends have been totally wiped out by the revenues the government has deprived us of.

Despite this misfortune, **your Company has performed its side of the bargain, namely contributed to the national exchequer by way of indirect taxes to the Centre and the State, to the tune of Rs. 51 crores, net of concessions and reliefs availed, provided direct and indirect gainful employment to over 10,000 people, including approximately 5000 tribals, opened up the interior by building and maintaining 125 km roads, planted 31 lakh trees on marginal lands and field bunds, commenced a Social Forestry Scheme covering 10,500 hectares in seven years, demonstrated that its nutrient-rich treated effluent is safe for cultivation and is capable of higher crop yields, and made and continues to make many more contributions to the public good besides creating housing, schooling and medical facilities in a backward tribal area.**

PLANNING FOR SELF RELIANCE

Turning to the future, let me state that your Company does not rely on crutches for economic success and self-propelled growth. It foresaw practi difficulties in its infant years in overcoming gestation before stabilisation and obtained a minimum assura of government support while accepting the lion's sh of challenge for pioneering industry in a backward area. The fact that it did not get what it deserved is disappointment but not a disaster. During the turbulent six years of its operating existence, it did deflect from its goal of resource productivity throug research, innovation and technology — in fact, it expended over Rs. 6 crores in Capital investments equipment modernisation and process improvemer

You would have seen from the Directors' Report **your Company has already embarked on a ma investment programme involving Rs. 25 crores for plant modernisation and capacity balancin enabling 18,000 tonnes of incremental value added production at higher margins than heretofore.** Energy efficient systems, which are pa of the programme are designed not only to substantially reduce energy costs of the total outpu some 70,000 tonnes per year, but shed increasing reliance on State provided power and superior gra coal. This programme is scheduled for phased commissioning during the next eighteen months.

Your Company's initiative in, **promoting regeneration of forest-based resources throug its Bamboo rejuvenation scheme, farm forestr and social forestry schemes in association wit the farming community is another index of yo Company's drive for self-reliance.**

Product development, aided by research has already been given greater priority, and your Company will seek to enlarge the market with new applications and uses, and create a stronger prese than has hitherto been feasible.

Having reduced its capital-intensity through successful operations in the past and with further reductions on the cards through the major investr programme currently in progress, your Company

Meeting the Challenge of Enterprise

Speech of Shri S. Ghosh, Chairman, at the 10th Annual General Meeting held on 28.4.86.

competitively well equipped to create surpluses on an enduring basis.

LONG TERM BACKWARD AREA POLICY

A recent press report states that a major scheme for the industrialisation of backward areas with better financial incentives for industry is being worked out by the Centre. The backward area scheme had come into force in 1971 and has been modified a few times. In 1983, the scheme of no-industry districts and special region districts was added to the list of areas eligible for incentives. But the fact that very little headway has been made in fifteen years for a more balanced growth of the country ipso facto admits that mere fiscal and monetary incentives cannot achieve a breakthrough in backward area development, unless government changes its attitudes towards these regions. From your Company's experience in having related to a backward area for close to a decade, it is my view that a cultural change in approach is necessary, which may best be embodied in a Long Term Backward Area Policy statement. The following aspects need to be recognised in the formulation of such a Policy:

Firstly, it is an axiom that backward areas have remained industrially undeveloped or underdeveloped because the environment is inconducive to commercially successful operations compared to developed locations that are more hospitable. The causes are not merely of infrastructural deficiencies such as power, transport, communications and human habitat facilities. Remoteness from markets and absence of industrial skills of the local populace relative to modern machines and technology can also be a formidable barrier. Whatever be the causes, the fact remains that there are substantial penalties to be paid for before industrialisation can take root.

Secondly, backward area development cannot progress if government has the sole responsibility of removing infrastructural weaknesses. The burden of this development must be shared with industrialists, who must be admitted as partners and compensated fairly for their efforts. Large industrial houses have the human resources and the organisation to dovetail their efforts simultaneously with setting up and developing industrial ventures to economic maturity.

Thirdly, it needs to be realised that meaningful development will be sparked only if pioneering ventures are large investments, technologically efficient, most likely capital intensive, and enjoy economies of scale to be commercially viable. Gainful employment can be guaranteed, directly or through ancillaries, only if the parent venture is commercially successful.

Fourthly, there will always be a limit in terms of means, quantum and timeframe, to the assistance that government can reasonably provide to any private sector member, venturing into a backward area. **Inevitably, the residual risks of enterprise will be heavy and will rest with the entrepreneur, as capital-output ratios are likely to be higher, the productivity stakes greater than normal for break-even results, and cash flows crucial at the incipient stage. Therefore, government needs to recognise that fundamentally the balance between success and failure of backward area venture is razor thin, with hardly any leeway available for 'surprise' developments.**

Fifthly, incentives, concessions, subsidies are no answer to promote backward area development unless the agreed package is faithfully implemented in spirit and in content. There has to be far greater respect for time and a sense of urgency in the administration of such assistance schemes than the track record would suggest. Palliatives and half measures, not to mention schemes that give with one hand and take away with the other, are obviously self-defeating and infructuous. In essence, the State should have a vested interest in the well-being and success of key ventures and attitudinally be willing to stand by the entrepreneur, where deserved.

Sixthly and perhaps most importantly, **there should be a moratorium on changes in legislation, particularly fiscal legislation, for a long term period of say ten years after start up, to new ventures in backward areas, where such changes adversely affect the economics of the new unit,** unless these changes are declared in advance at the project formulation stage itself. For example, the proposed changes in the income tax rates of depreciation in the budgetary proposals of 1986, while beneficial to existing tax paying companies, only succeed in further extending the gestation period of capital-intensive and long gestation projects, resulting in retarding capital formation in future capital-intensive units. Such projects already commissioned in the last decade and heavy investment ventures, particularly in the public sector, will immediately be affected.

And finally, no backward area development policy will achieve the desired multiplier effect unless there is emphasis on improving the purchasing power of its inhabitants. **Poverty removal programmes of the government have to be strengthened at the local level for impact and the human infrastructure of industrial ventures should be co-opted on a voluntary basis.** Perhaps some liberalisation in the intercorporate investment provisions within backward areas would speed up ancillarisation and employment creation in satellite medium and small undertakings.

THE VITAL ISSUE OF DWINDLING FORESTS

Before I conclude, I would like to address one final issue of great national importance — that is, deforestation and afforestation — not because it is of concern to the paper industry, who use about 3 million tonnes of forest raw materials, which is roughly 2% of the annual national consumption of wood for all purposes, but because its locale is principally in rural areas, including backward areas.

Many of us are aware that the actual tree cover in the country has dwindled to 35 million hectares out of 329 million hectares of national land mass, which is being eroded by 1.5 million hectares each year. It has been estimated that a 33% land cover is essential to preserve the ecology, and for which a potential of 175 million hectares of degraded, denuded, barren and arid land would be available after setting aside valuable lands for agricultural purposes. The National Forest Policy of 1952, which required 100 million hectares to be under good tree cover has failed to achieve its objectives totally. The National Wastelands Board target of afforesting 5 million hectares per year over twenty years is a formidable target when note is taken that the current rate is half-million hectares annually and the todate total of artificially afforested land is only 3 million hectares.

Against this backdrop, the efforts of the forest departments and forest corporations is totally inadequate. **The reafforestation programme has to become a 'people's movement' including multi-agencies like village cooperative and panchayats, national highways and railways, industrialists, and private persons.** Social forestry programmes, which one hears so much of today, will be unequal to the task, **and a combination of farm forestry in arid and semi-arid regions, agro-forestry supporting rural cottage industries, rural firewood plantations on government and private lands, and captive plantations using hi-tech applications of tissue culture and clonal forestry are all required,** each using the most appropriate species required.

The task is of such immense magnitude that the constraints of land ownership and land use cannot be allowed to inhibit the launching of all these schemes and legislative hurdles and administrative procedures have to be overhauled without delay.

Demand for wood for packing cases, railway sleepers, construction, cooking needs, cremation, all need curbs through policy measures and encouragement in the development of alternatives or more efficient substitutes.

Financial policies concurrently need to be devised for this national programme —grants, soft loans, deferred recoveries of interest and lease rent, tax concessions and deferrals, have to be appropriately designed as outputs result after periods of five to seven years. Banking policies which permit loans to farmers against their standing crops but deny mortgaging wood in the fields or plantations need to be re-examined.

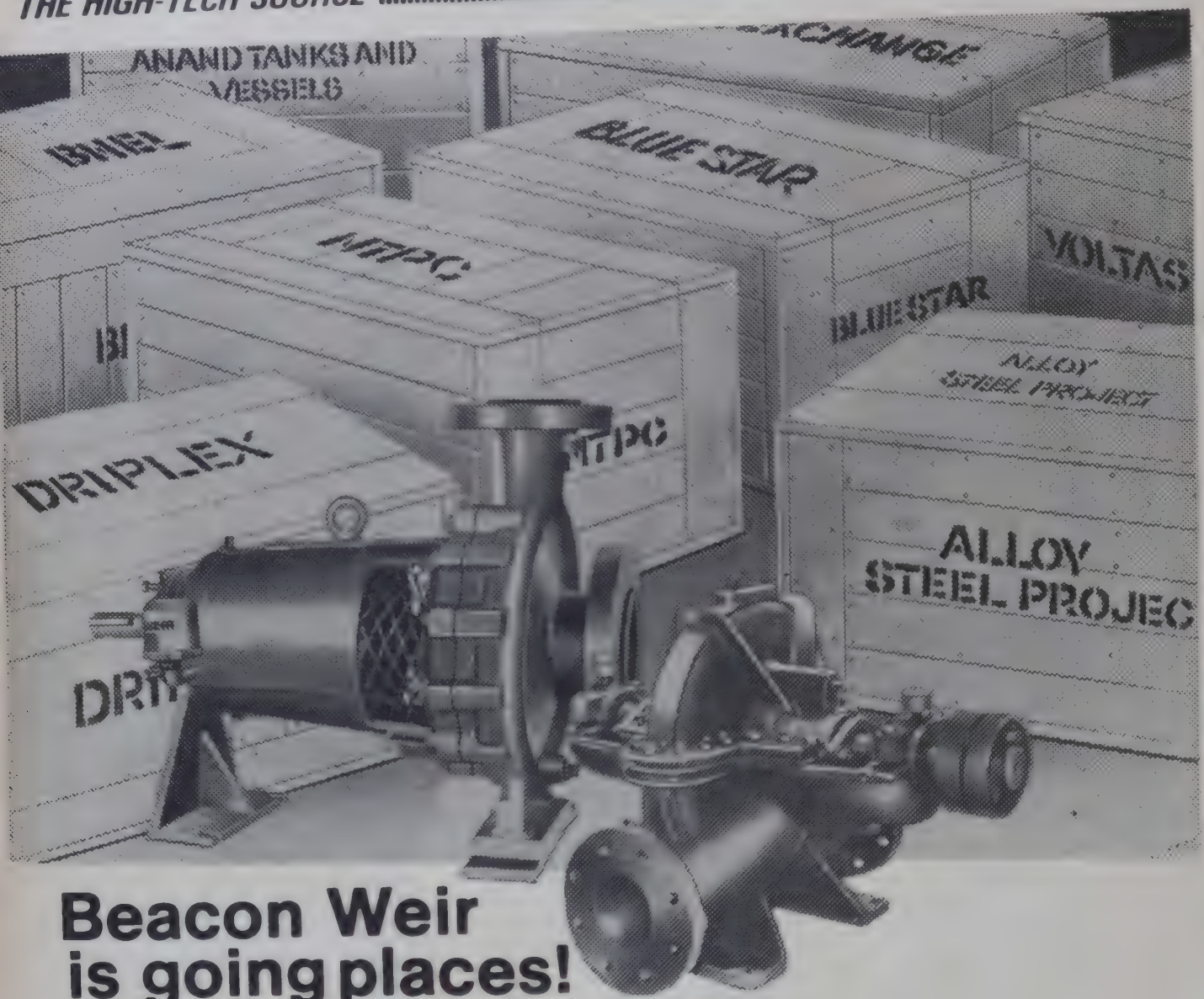
It is for serious consideration whether land and water management should not be brought into the Concurrent List for the appropriate thrust which brooks no delay.

It is also for consideration whether the entire corporate sector, particularly those located in rural and backward areas should not be required to participate in a minimum programme of afforestation, as they have the management and organisational infrastructure to make an effective start, given basic facilities. Industries consuming forest based materials should certainly be asked to afforest and generate timber many times more than what they consume. They would be well advised to look beyond their own particular requirements as any myopic policy of not catering to the community requirement in some perceivable measure may prejudice their specific programmes

Your Company's untiring efforts for almost a decade has just begun to take root and it is earnestly hoped that the State government will accelerate its clearances to expedite your Company's ambitious plans

This does not purport to be a report of the proceedings of the 10th Annual General Meeting

BEST & CROMPTON
THE HIGH-TECH SOURCE



Beacon Weir is going places!

In 24 months, Beacon Weir has supplied several centrifugal pumps to leading users or their project consultants.

While some of these are from the existing range of pumps, a large number of them were specially designed, developed and manufactured by Beacon Weir to the exact design and quality assurance requirements of the customers. They include split casing pumps made of stainless steel in addition to extra large special-use pumps made for the TTPS in a record period of four months.

Evidence that Beacon Weir is a collaboration as much in performance as in name, combining the considerable Indian experience of Best & Crompton with the world-famous pump manufacturing know-how of Weir Pumps, UK.

Write to us today for detailed literature.

beacon WEIR

Beacon Weir Limited
28 Industrial Estate (North), Ambattur
Madras 600098

Sold and serviced by

Best & Crompton
Best & Crompton Engineering Ltd.
All India Marketing Division
312 Anna Salai, Madras 600018.
Regional Offices at:
Bombay • Calcutta • Delhi • Madras
Branches at: Bangalore • Bombay • Baroda Calcutta • Coimbatore • Ernakulam • Lucknow • Madras • Madurai • New Delhi • Secunderabad • Vijayawada • Visakhapatnam.

OPM 3240

Quite obviously HCPL's brand marketing strategies, built around these core elements of the conventional marketing mix but refined in a unique fashion, have consistently conferred the sweet taste of success on the company's management. Over the past quinquennium the company's chocolate production – and offtake in the marketplace – has risen by 25% per annum.

SMASHING SUCCESS

Indeed the effectiveness of the company's brand advertising strategy (advertising expenditure: Rs.2.21 crores in 1984-85) has been amply demonstrated by the smashing success in the marketplace of HCPL's Cadbury's Dairy Milk (CDM) chocolate launched in October 1984. In terms of product development or innovation, CDM is the first chocolate in the country to be manufactured using fresh milk and a new process from Cadbury Schweppes (UK) – a feature which was highlighted in the company's memorable advertising campaign.

Chocolate brand market shares *(1985)*

	Value (Rs. crores)	Market share (%)
Cadbury's	32.78	60.4
Amul	6.40	11.8
Nutrine Parry	5.16	9.5
Sathe's	2.07	3.8
Dr. Writer's	1.67	3.1
Others	6.15	11.4

Source: BusinessWorld estimates

Within the company's extensive distribution chain, the emphasis has been on point of purchase display to prompt the purchase of a product which Lakshmanan argues is the very epitome of an "impulse purchase" product. To this end, apart from the company sponsored product displays at retail points, HCPL distributed 30,000 specially designed glass cases or sales dispensers capable of stocking all the chocolate brands of the company to the value of Rs.700. A pre-condition of the delivery of the dispenser (which was given free to important retailers) was that it should be located near the till so as to facilitate the impulse purchase at the time of payment – typically of a grocery bill.

And finally the CDM marketing plan was rounded off with a highly effective, television-intensive advertising campaign adapted from the British original by the Bombay-based agency Ogilvy, Benson & Mather. The net result of this marketing strategy is that the effective demand for CDM is 1,300 tonnes per year against the production of 1,000 tonnes within a period of 15 months since the brand was introduced into the marketplace. Indeed, it is the strident demand for CDM that has prompted the HCPL management to finalise its plans to construct a new Rs.17 crore factory in Madhya Pradesh. "The CDM marketing campaign is perhaps the most successful ever in the history of consumer products in India," says Lakshmanan with scarcely disguised satisfaction.



Apella ad: a blemish on the collective marketing track record

But though HCPL's marketing personnel have undoubtedly accumulated sufficient expertise which is the vital factor behind the company's unprecedented success in the marketplace currently, their collective track record is not unblemished. In particular, the company's reputation for marketing wizardry suffered a severe setback in 1982 when its apple juice concentrate was launched in the prime Bombay market under the brand name Appela with much fanfare but flopped disastrously.

POOR OFFTAKE

For the Appela project, HCPL constructed a Rs.3.5 crore apple juice concentrate plant at Sopore, Baramulla district in Kashmir and spent a massive Rs.1 crore on advertising and sales promotion for the launch of Appela in Bombay in the summer of 1982. Yet to no avail. Though the advertising campaign designed by the well-known advertising agency Rediffusion, was highly effective and won the Advertising Club of Bombay's award for the best advertising campaign of the year for 1982, consumer offtake was poor forcing the company to suspend sales a year later.

Three years, Rs.3 crores and much bitterness later HCPL managers are somewhat uncomfortable about discussing the company's Appela debacle. Yet information gleaned from various sources in Cadbury House, Bombay indicates that Lakshmanan was not associated with the marketing campaign for Appela. The campaign was masterminded by Deepak Shourie, then marketing manager of the company who reported directly to C.K. Finlay, then chief executive of the company. Since then – perhaps coincidentally – both Shourie and Finlay have left the company and were unavailable for comment.

Nevertheless available information

Malted food market shares *(1985)*

	Market share (%)
Horlicks	45
Bournvita	22
Complan	7
Viva	7
Boost	6
Maltova	6
Nutramul	5
Others	2

Note: Estimated sales tonnage: 23,064
Estimated sales value: Rs.110.4 crores

Source: BusinessWorld estimates

AND NOW ...
... A PUBLIC SCHOOL GOES PUBLIC

SANATHANA DHARMA GURUKULAM LIMITED

Regd. Office: 5, South Mada Street, Mylapore, Madras-600 004

A Noble Venture of
MADRAS MOTOR FINANCE GROUP

Public Issue of 24,00,000 Equity
Shares of Rs. 10/- each for cash at par

HIGHLIGHTS

- The first ever and the only Residential School in the Corporate Sector — TRIVENI SCHOOL.
- Promoted by Madras Motor Finance & Guarantee Company Limited, a leading Finance Company.
- An unparalleled educational Institution blending the traditional Gurukulam culture with the most modern scientific approach.
- A never before venture for developing a socially conscious, disciplined and industrious new generation to meet the challenges of the 21st century.
- Affiliation to Central Board of Secondary Education having worldwide affiliated schools.
- The Board of Directors consists of eminent and leading Educationists, Scientists, Social Workers and Financial Experts.
- Extra curricular activities include yoga, sports, horse-riding, swimming, shooting, martial arts, mountaineering, trekking, arts and crafts, cultural activities and many others.
- The Academic Council headed by Shri C. Subramanian former Union Minister and the Vice-President of Bharatiya Vidya Bhavan.
- Assured dividend of 15% for the year commencing from 1st June, 1986.

SIPS/SDGL/122

ISSUE OPENS FOR NON-RESIDENT INDIANS ON 31ST MAY 1986.

INDIAN PUBLIC ON 11TH JUNE 1986.

Managers to the Issue

V.B. DESAI FINANCIAL SERVICES LIMITED
Merchant Banking Division
Cama Building, Ist Floor,
24/26, Dalal Street,
Bombay 400 023

indicates that while the advertising campaign for Appela generated a great deal of product awareness, it fell between two stools in that it was not clearly positioned as either a health or fun soft drink. Other post-mortems: that the soft drink was non-carbonated; its distribution was assigned to Pure Drinks Pvt. Ltd. which has inadequate reach in the Parle-dominated Bombay market; that the product itself had not been satisfactorily test-marketed with reference to the Indian palate and that the core customer segment in terms of the age group had been hazily defined.

However, though HCPL managers admit that the company sustained a loss of Rs.3 crores on the profit and loss account, it has managed to salvage some of its capital costs. After prolonged negotiations the HCPL management finalised a deal to sell the Sopore apple juice concentrate manufacturing plant to the Jammu & Kashmir state government for a sum of Rs.2 crores to be paid over a period of 18 months. Under this agreement, HCPL has already received Rs.1 crore, with the remaining Rs.1 crore expected by the end of the current year.

PACKAGING CHANGED

Another minor marketing setback suffered by the company in recent years has been in the national Rs.110 crore malted milkfoods market. The market share of HCPL's Bournvita which in 1976 was 26% slipped to 19% in 1981 largely as a consequence of the emergence of several cheaper brands (Boost, Maltova, Nutramul, Complan and Viva). But last year, after the company's marketing personnel changed the packaging for Bournvita introducing the popular glass jar and the cheaper refill pack while also revising its advertising campaign, the company improved its market share in this product segment by 3% to 22% of the national market.

Yet the losses suffered by HCPL as a consequence of the Appela debacle and to a lesser extent in the malted milkfoods segment has been offset manifold by the string of successes in the chocolate manufacturing business which contributed 63% of the company's sales turnover in the year ended 30th June 1985.

And just how well HCPL is faring in its major lines of business despite the Appela debacle and other minor setbacks is indicated by its balance sheet and profit and loss account figures for 1984-85. The company's pre-tax profit to net sales ratio at 12.16% is well above the 10% benchmark of a healthy consumer products manufacturing enterprise. Moreover, despite having acquired fixed assets valued at cost (the current market value would be much higher) of Rs.12.73 crores, HCPL's long term debt aggregated to a mere Rs.63.27 lakhs against a net worth of Rs.9.99 crores – an amazing debt-equity ratio of 0.1:1 – in 1984-85.

"This very favourable debt-equity ratio has made it easy for us to expand our manufacturing base as we propose to do shortly. The proposed new factory project will be partly financed from the company's reserves and given HCPL's extremely healthy financial position, we expect no difficulty in raising the remaining funds from the public – probably through a debenture issue – without going to the financial institutions."

A confectionery colossus

The London-based Cadbury Schweppes plc, which owns 40% of the equity of the Bombay-based Hindustan Cocoa Products Ltd. (HCPL), is one of the largest confectionery manufacturing companies in the world with subsidiaries and associated companies in five continents. The company (sales: £1,873.8 million or Rs. 3,560 crores in the year ended 31st December 1985) is ranked 186 in *Fortune's* list of 500 largest companies outside the US.

The largest confectionery manufacturing company in Britain, its numerous brands of chocolate are household names in Britain and Commonwealth countries in particular. In 1985, the confectionery business contributed 41% of the company's sales revenue worldwide.

But in addition of the confectionery business — mainly chocolates — Cadbury-Schweppes is also a leader in the British soft drinks market, manufacturing a range of carbonated fruit drinks and fruit juices, natural fruit juices and fruit drink concentrates. In 1985, its soft drinks business contributed 35% of its £1,873.8 million worldwide sales turnover. Beverage and foods (tea, coffee, cocoa, drinking chocolate and malted milkfoods)contributed 20% and the health and hygiene product business (consumer, industrial cleaner and aerosol products) 3%. The company employed 33,797 people worldwide in 1985 of which 18,522 were employed in Britain.

But though Cadbury Schweppes plc is solidly in the black (pre-tax profit: £93.3 million or Rs.177 crores in 1985), the recently concluded year was not particularly a good one for the company with its sales turnover declining by 7% and pre-tax profit by 25%. In his statement for 1985, Adrian Cadbury, the chairman, attributed the company's relatively poor performance to a disadvantageous comparison with the 1984 results which benefited unnaturally from "exchange rate movements," but for which the company's profits would have been marginally higher at £126 million.

Major reverses. Nevertheless, Cadbury also admits that the company suffered major reverses in its North American operations which contributed 19% of the company's sales turnover in 1985. According to him, the North American setback which was primarily in the confectionery business accounted for two-thirds of the fall in trading profits in 1984 and 1985. "The main elements in the fall were the reduction sales to reduce the stocks of finished goods in the trade; the writing-off of non-recurring costs and increases in cost not matched by increases in price. The causes of the unacceptable North American performance have been attacked vigorously and with a clear start to 1986, the reorganised businesses are on their budgeted course for recovery," Cadbury told the company's 58,177 shareholders.

To streamline the company's operations, Cadbury Schweppes has sold its health and hygiene division and proposes to sell its beverage and foods business as well. In 1985, these two divisions contributed 23% of the sales turnover of the company. In addition, last December, Cadbury Schweppes announced the promotion in Britain of a joint company in collaboration with the world famous Coca-Cola Corporation to "restructure the British soft drinks industry."

Contrary to the popular belief that confectionery multinationals derive the preponderance of their revenues and profits from the developing countries of the third world, Cadbury Schweppes generated 51% of its revenue in Britain with North America (19%) and Europe (13%) being the other major markets of the company. Africa, Asia and New Zealand together contributed a mere 5% of this confectionery multinational's sales turnover in 1985.

LIC's unique Group Gratuity Scheme benefits employer and employee

"because I know it gives me **full life cover**. So my family gets gratuity based on my **full employment term**... even if something happens to me before that term is up
And because I can count on **ready payment** whenever my gratuity should fall due
And because I feel secure, knowing my gratuity is in **LIC's professional hands**."



"...because it saves me a lot of financial and managerial problems. **No clerical and accounting bother.**
And because it offers better benefits under the recent **Cash Accumulation Plan.** And because my premiums are **allowed as expenses in IT assessment.**
And because I can rely on **speedy settlement** of gratuities due... which is good for employee morale. And because it more than offsets my liabilities with an **accumulating asset.**"



LIC's Group Gratuity Scheme.
The easy, economical, efficient way to handle employee gratuities.

Life Insurance Corporation of India

For details, contact the nearest LIC office.

daCunha/LIC/179/86

"We have made a valuable contribution to the Indian economy"



Dilip Thakore interviewed C.Y. Pal, (49), president of HCPL, in Bombay. Excerpts:

■ **According to leftist ideologues and populist politicians, a company with foreign equity participation manufacturing low technology products such as chocolates and chocolate-based foods is an irrelevant anachronism. What is your comment?**

I don't think producing and selling chocolates in our country is either irrelevant or undesirable. In fact, the sweetmeat eating habit is a part of the ethos of our country — so much so that even the smallest bazar in a tiny village has such a shop catering to local needs. By producing and selling a delicious, hygienically produced and packed and well-preserved range of cocoa-based food products, we are offering a much better alternative to the consumer.

In addition, I am sure that you will agree that in the context of the principle of a mixed economy, HCPL's existence is not at variance with any of our nationally approved ideologies or objectives.

As for the quality of our technology, let me assure you that producing a good chocolate is not as easy as many people think it is. It requires a fairly high degree of skill and technology and as the leader in this industry we have been setting increasingly high standards by making and selling products of international quality. This has been possible only by virtue of our access to technological knowhow from our principal shareholder, Cadbury Schweppes, UK.

■ **In his statement for 1984-85, Mr. A.B. Harvie-Clark, chairman of the company, commented that HCPL has made a unique contribution to the indigenous cocoa growing industry. What is the nature and dimension of this contribution?**

I am glad you have raised this question because this is one area in which we have made a valuable but little known contribution to the Indian economy. Until the early sixties, cocoa was an unknown crop in India and it is only at our initiative and with the help from Cadbury Schweppes, UK that we were able to discover that cocoa can be successfully grown in south India. Since then HCPL has played a pioneering role in encouraging cocoa plantation and nurturing this crop. As a result, the country is now self-sufficient. Imports of cocoa which were a regular feature in the past have therefore been totally stopped since 1983 resulting in substantial savings of precious foreign exchange.

It may be of interest for you to know that cocoa is mostly grown by a large number of very small farmers in the southern states of Kerala, Karnataka and Tamil Nadu and that too as an interplanted crop along with coconut and arecanut. This means that coconut and arecanut farmers now earn extra income by planting cocoa without the use of any extra land resources.

■ **Chocolates and malted foods — perhaps because of high excise duties — are expensive luxuries in a nation in which the per capita income is a mere Rs.3,250 at current prices. Yet HCPL's sales turnover has been rising at almost 25% per year. How do you explain this?**

While products like chocolates and malted foods are admittedly not a necessity of life for a major part of the population in this country, they are not a luxury either. Or to put it differently, they are as much a luxury as a good ice cream, a good piece of *mithai* or for that matter, a good meal. Knowing the income profile for our country, we produce and sell products to suit almost every pocket.

It is a fact of life that a growing number of people are now beginning to earn higher disposable incomes and are therefore in a position to afford our type of products. This explains the growth in the business that we have had. The same logic applies to an even greater degree for malted foods because milk is clearly an essential part of the diet of children in particular. Malted foods such as Bournvita not only make milk drinking an enjoyable daily experience but also provide the much needed energy for growing children.

■ **While HCPL has its share of successes in the marketplace and has the largest share of the chocolate and malted foods segments, it has also had its share of setbacks. In particular, the company's diversification into soft drinks two years ago was a disaster. What lessons have you derived from the Appela fiasco?**

Successes and failures are a part of life — and business life is no exception. Yes, we did fail with our apple concentrate product. But we have learnt some lessons from this experience. Even now I have no doubt that we had an excellent product made in a most modern plant based on the latest technology obtained from Bulmers, UK — the famous cider manufacturer. But as the events after the launch proved later, we obviously went wrong with our sales volume estimates at the project stage.

Having said this, I believe that one of the tests of good management is the ability to accept failure when it comes and take hard decisions when they are called for. I am happy to say that we took a timely though difficult decision to close down the plant and the diversion of management time and effort to our traditional businesses during the last few years has been more than worthwhile as is evident from our operational results.

■ **Looking ahead, how optimistic are you about the future of HCPL and in the larger context of the economy as a whole?**

I am confident that we have a good future ahead of us. Over the years we have built up an excellent management team which in my view is the greatest single requisite for the successful management of any business. We have fairly well defined plans for expansion and diversification on hand which I am sure will take us forward even more rapidly in comparison with the growth we have achieved so far.

In HCPL we have every confidence that the economy will pick up momentum very soon. On the food front the country has turned the corner and the recent policy changes augur well for the growth of the industrial sector.

says Suresh Borkar (49), a commerce graduate of Bombay University and a chartered accountant who is the incumbent vice president (commercial) of the company. In this capacity Borkar supervises the finance, secretarial, legal and purchase portfolios within HCPL.

HANDSOME BENEFITS

Nor is Borkar's confidence in the matter of being able to mobilise finance from the public misplaced. Ever since Cadbury Schweppes Overseas Ltd. (a wholly owned subsidiary of Cadbury Schweppes, UK) first divested itself of a part of its 100% equity shareholding in the Indian company in 1977 gradually reducing its shareholding to 40% in 1979, HCPL shareholders have benefited handsomely. Thus an investor who was wise enough to purchase 100 shares of the company when it first went public,



Borkar: justifiable confidence

offering its Rs.10 share at a premium of Rs.1, is currently (two rights and one bonus issue last year, later) the owner of 192 equity shares. And given that HCPL's equity share is currently (25th April) quoted at Rs.110, the Rs.1,100 invested in the company's paper is now worth Rs.21,120. Also, for the last nine years the investor has received an average annual dividend of 14.2%. Not a bad investment by any yardstick.

The consequence of the sound financial health of the company is not only that it is in a position to expand and modernise its production base and finance its current marketing thrust, but that it also has the wherewithal to invest in the development of its human resources. Privately, insiders within HCPL admit that the company has a tradition of highly centralised, autocratic management which had saddled it with poor morale in the management ranks and a major industrial relations problem in 1980 when the company's Thane factory was locked out for over 160 days.

Indeed, the lockout imposed on HCPL's Thane works which was then the company's only factory manufacturing 100% of the company's output, is widely regarded as a watershed event in HCPL's history. It marked the beginning of the end of the company's authoritarian culture — largely a consequence of its expatriate chief executives' spare-the-rod-and-spoil-the-wogs attitudes. On the initiative of former executive chairman Prem Pandhi (currently the director of the Management Development Institute, New Delhi) the company completely revamped its industrial relations and management development policies. And the top management's chosen instrument for ushering in an attitudinal change in relation to these two functions was Arun Joshi (51) who was inducted into the company to head the personnel portfolio in 1980.

An economics and law graduate of Bombay University, Joshi has a thorough grounding in personnel management having served with Burmah Shell (1954-61) and the troubled Metal Box (1961-79) prior to signing up with HCPL. Since then, Joshi who is currently the vice president (personnel and planning) of the company believes that HCPL has come a long way in improving management and labour morale.

"We haven't had a major industrial relations problem or a work stoppage at either one of our two factories since 1980. Though it might be somewhat premature to say that industrial relations in the company are entirely harmonious, it would be true to say that managers at all levels in the company are learning to deal more positively with labour. At the same time as a consequence of increasing decentralisation of our operations and gradual transformation of HCPL into a divisionalised product line managed company, managers' morale has also improved markedly," says Joshi.

CHANGED ATTITUDE

Joshi's assertion that the industrial relations climate in the company has changed for the better is endorsed by Vishwas Ghatge (36), a technician in the engineering development division of the company and secretary of the HCPL unit of the Association of Chemical Workers which is affiliated to INTUC. "Since 1980 the attitude of the management towards the company's workmen has changed considerably. It is now very



Joshi: chosen instrument

responsive. The management is always ready to listen to us and has a problem-solving approach. It has introduced certain workers' education and awareness programmes which are working well and workers are given good incentives and working conditions. However we believe that the good industrial relations in the company are the result of our struggle for a better deal," says Ghatge.

It can be safely presumed that not a little of Ghatge's satisfaction with the working conditions within the company is rooted in the enviable wages that HCPL's 1,898 workmen are paid. According to Joshi, the average wage (cost to the company but excluding 'welfare' e.g. canteen subsidy, uniforms and medical aid) is Rs.3,075 per month with the minimum wage being Rs.2,185. Yet average and minimum wages do not indicate the level of the high wage island that is HCPL.

According to the annexure to the directors' report included in the company's annual report for 1984-85, a matriculate personal secretary, Ms. J.P. Antia (45) earned an annual wage of Rs.72,451. Similarly Hari Bahadur (53) described as a watchman with a standard V educational qualification earned Rs.42,032 and R.G. Desai (42) a boiler attendant, Rs.53,281.

The 134 managers in the company are

Buying a micro?



Make sure you don't get a Pony Computer

Business computing is serious business. Hardware is important – you want to make sure you don't get stuck with a Pony Computer. Real-life applications need real processing power. Power that is usable. Power that is available where your work needs it. Power that grows as your needs grow. To paraphrase a famous quotation, *"No manager ever made a mistake by* ***overestimating*** *the computing needs of an organisation"*. You want real growth – about ten times where you start, for computers grow on an organisation as their benefits start to flow. You want modular growth – so you pay only for what you need, as your needs grow. You want to see growth with compatibility – not disruptive replacement of computers because they've run out of pony-power. You'll get real power from the B-25 – lots of it and plenty of room to grow!

So, when you buy a computer, make sure you don't get stuck with a Pony.

Tata Burroughs Limited

We provide total solutions

Shilpi TBL 7/86

The climate is always 'just right' in Bangalore. For both business and leisure.

Besides having a cooling influence right through the year, Bangalore's altitude keeps the atmosphere light and dust-free. Which is conducive to the growth of industry. Electronics in particular. Today, Bangalore accounts for a third of the total production of electronics in the country. 80% of the professional equipment with the 'made in India' stamp is made here.

What set the foundation for the breath-taking growth in electronics was the setting up of the public sector giants: BEL, BEML, BHEL, HAL, HMT, ITI, NGEF and more recently, the flood of manufacturers such as BPL and Nippon Electronics.

And what gave Bangalore its prime status in electronics were institutions such as the Indian Institute of Science, the Electronics and Radar Development Establishment, the Indian Space Research Organisation and the Aeronautical Development Establishment

So, who's been part of this growth story?

In the growth story of any city, its newspaper institutions play a highly critical role. Not just in news reporting. Or in the reflection of views. Importantly, it's in giving talent and enterprise the wide audience it deserves. For public interaction. And support. Also to give readers a fair and accurate picture of developments.

It's a responsibility **The Deccan Herald Group** has lived up to in more ways than one The Group, Bangalore's oldest publishing house, brings out four No. 1 publications **Deccan Herald**, the mainline English daily **Prajavani**, the most popular Kannada daily **Sudha**, the complete Kannada family weekly And **Mayura** the most widely read Kannada monthly.

The 'listening post' — world-wide

The Deccan Herald Group tunes in to the world through a network of strategically based correspondents covering the US, the UK, Europe, the Middle East, Bangladesh, South East Asia and the UN.

It also widens its canvas with news and feature arrangements, with the Washington Post, the Financial Times, the Los Angeles Times, Asia Features and Gemini.



Graph indicates the Reach of THE DECCAN HERALD GROUP of publications in Karnataka in their respective categories. (Deccan Herald reaches 76.3% of all adults reachable through English dailies.) Source: NRS III

PML-1879-A

The nerve centre links up with the national network

The Group's Head Quarters in Bangalore is a hive of activity. Buzzing with news stories from all over. Right from up-to-the-minute despatches sent in by its fully staffed news bureau in Delhi, reports from correspondents in Bombay, Calcutta, Madras and other state capitals, to news in the pipeline from the national news agencies. All this, co-ordinated by a large bureau of staff reporters in Bangalore.

When a newspaper becomes an 'institution'

What started off as a small newspaper in 1948, is the largest, most modern publishing house in Karnataka... among the foremost newspaper houses in the country. With sophisticated facilities in design, layout, photosetting and offset colour printing.

All of which means unparalleled state-wide influence. 'EXCELLENT COVERAGE' in other words. To readers it means news. And to advertisers, it means readers.



THE DECCAN HERALD GROUP

75 Mahatma Gandhi Road Bangalore 560 001

Some moments keep ticking
for a long, long, long time.



HMT

WATCHES

HANDWOUND • AUTOMATIC
QUARTZ

HMT 1341

How Hindustan Cocoa compares

	Year ended	Sales (Rs.crores)	Pre-tax profit (Rs.crores)	Return on capital employed (%)	Total liabilities/ net worth (%)
Britannia Industries Ltd.	30.6.84	112.49	7.22	12.76	107
Food Specialities Ltd.	31.12.84	105.43	10.41	22.49	172
Hindustan Cocoa Products Ltd.*	31.12.84	46.34	4.01	16.26	143
HMM Ltd.	30.4.85	52.80	7.89	27.78	120
Richardson Hindustan Ltd.	30.6.85	32.68	5.98	26.73	179
Sathe Biscuits & Chocolate Co. Ltd.	31.3.85	4.02	0.09	9.36	

**Adjusted for change in accounting year*
Source: The Stock Exchange Official Directory

not badly off either. A management trainee signs on at a monthly salary of Rs. 2,200 and perquisites in HCPL are widely known to be liberal. Yet perhaps the greatest attractions of HCPL for young managers are the opportunities the company offers for rapid promotions within the management hierarchy and its newly acquired liberal attitude towards developing its managerial resources in particular.

GENUINE CONCERN

"There are several reasons why working in HCPL is a satisfying experience,

Ghatge: wages of struggle



says Vinita Bali (30), marketing manager of the company. "First, this is a company which provides opportunities to younger managers regardless of their age. Second, it has a very liberal attitude towards women employees. Third, I believe it has a genuine concern for people particularly in helping them to develop skills. And fourth, the company has an interesting product range, a good reputation for the quality of its products and a high market profile."

It is hardly surprising that Bali, an economics and business management graduate of Delhi University and the Jamnalal Bajaj Institute of Management Studies, Bombay, is satisfied working for HCPL. Within five years of joining the company after a three year stint in Voltas (1977-80) and despite her career being interrupted with almost two years' study leave, she has risen to the senior position of marketing manager supervising the advertising, product development, packaging and consumer promotions functions in the company.

Quite obviously the company's experience of young managers has also been happy. In the next year beginning 1st July 1986, HCPL intends to recruit no less than 10 management trainees — a large number for a company of its size.

Given the favourable configuration of stars which have resulted in the delicensing of the chocolate manufacturing industry, a stabilised raw material base and a strong demand pull for the company's brands in addition to rising morale within the company, it is scarcely surprising that Pal looks to the future with optimism.

"Right now we are in the process of



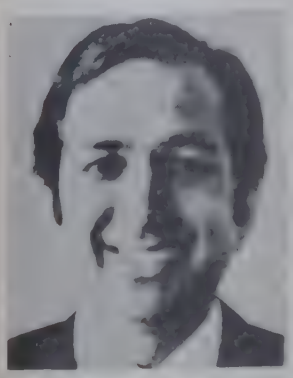
Bali: satisfying experience

modernising our factory at Thane for which we have budgeted a sum of Rs.8 crores to be spent over the next five years. When this modernisation programme is complete both production and productivity in our largest factory should improve considerably. Simultaneously our plans to construct a new factory in Madhya Pradesh which will augment our chocolate production by 40% within two years are in the final stages of preparation. And thirdly, we are accelerating our diversification into the biscuit marketing business. We have already introduced our butter glucose biscuit into the marketplace and we are all set to introduce some more varieties. In addition, we are looking at several food related product lines for diversifications. I am confident that we have a good future ahead of us. Over the years we have built up an excellent management team which in my view is the greatest single prerequisite for the successful management of any business," says Pal.

Quite obviously, not only for the 2,032 employees in HCPL and for the company's 22,677 shareholders, but also for over 1 lakh cocoa growers in rural India as well as for the burgeoning number of chocolate *aficionados* in the country, Hindustan Cocoa Products may well become as sweet a name as Cadbury's.

A matter of concepts

SUSHIL BAHL



If an objective analysis of the marketing and selling strategies of successful products or brands in the indigenous marketplace over the past few years is undertaken, a somewhat distinct pattern emerges. The conclusion is inescapable: that most of these products and brands have been successful within their market segments either because of what may be termed a strong 'product concept,' or an effective 'advertising concept.' It is one of these two vital factors which has thrust them into the forefront of consumer consciousness and created effective demand for them, thereby benefitting consumers and enriching their marketers

The product concept, according to Barbara Lindberg, chief of research at McCann Erickson, USA, is manufactured into, or with the product. In her words, it is a set of "basic and intrinsic features or characteristics built into a product or service." The advertising concept, on the other hand, as defined by her, is the "added value, through appeals, with which a product or a brand is cloaked in the execution of its promotional and communications approach for the consumer." Advertising, in other words, imbues a product or service with a distinct identity or 'image' which facilitates its promotion in the marketplace, whereas the product concept concerns itself largely with the fundamental product differentials offered to consumers.

The success of the well-known soft drink Limca, for instance, is a good example of a brand in which the product concept of a lime and lemon thirst quenching bottled soft drink has worked well. On the other hand, Charms, the country's largest selling filter cigarette brand, is the classic case of a product which has been successful almost entirely because of the distinctive concept.

NOVEL CONCEPT

To elaborate, Limca when it was first launched in the early sixties, was a novel product concept in the Indian market for branded soft drinks. At the time the soft drink market was dominated by the traditional *nimbu-pani,* which served both as a fresh lemon drink by itself, and was used in combination with gin or in other cocktails as well. Limca's product conceptualisation in this context was very strong and as a packaged brand it offered numerous product benefits over the traditional *nimbu-pani* (and the other unbranded lemon drinks available) in terms of convenience, taste, consistency and easy mixability. Most of all, it also fitted well into the lifestyle of its target consumers.

On the other hand the product concept options available to the managers of VST Ltd., the manufacturers of Charms cigarettes, were negligible given the very nature of the industry in which the scope for product innovation is very limited. Therefore the only marketing option available to the company was to evolve a wholly new advertising concept.

The rest is history. The company's advertising campaign departed far from the beaten track, and this decision has paid VST rich dividends. Its advertising has positioned it clearly and uniquely as a cigarette for young teenagers and youthful adults. Its denim pack, its promotional and advertising themes, have made Charms an outstanding marketing success.

Product and advertising concepts, individually and collectively, are integral parts of the overall marketing strategy, the key objective of which is to offer total consumer satisfaction. When a new product is launched to fulfil a perceived consumer need and is packed with special product differentials, and competition in the marketplace is not so severe, it is generally the product concept which either makes it a success, or results in it becoming just another 'me-too' product or brand.

On the other hand, when competition is stiff and a marketer's objective is to establish a new brand quickly, or even re-establish an existing brand, it is generally the advertising concept which has been proved to work effectively. This is because the generic product has already gained acceptance among its consumers, and it is a question of giving a brand a fresh identity or an image through a distinctive advertising campaign. A unique advertising campaign also generates greater consumer awareness and thus helps to increase the width and depth of usage of the product in the marketplace.

HELPFUL LESSONS

The Indian marketing scene today is replete with products which support and lend credibility to the effectiveness of the product and advertising concept approaches in actual practice. Some case histories would serve to help marketers and advertisers to draw lessons from other companies' experience and thereby sharpen the competitive edges of their own strategies as required.

Outstanding examples of products which have devised excellent product concepts are available in all the three market segments: consumer, consumer durables and industrial products. In the consumer products category we have, among others, Vicks cough drops, the first brand of medicated OTC throat lozenges in the market, and today the market leader.

More controversially, Fair & Lovely 'fairness cream' which exploits the deep-seated inferiority complexes of Indian society by promising its users a fairer complexion without bleaching, is a novel product concept in every respect. Hindustan Lever managers claim that it is the largest selling cream in the world. Parle's Do-it low calorie cola is another product concept which is unique in the multi-brand and crowded soft drink market.

In the consumer durable products' segment, there are two products which are good examples of excellent product conceptualisation. One is in the moulded luggage category, pioneered in India by Blow Plast Ltd. with its VIP brand of moulded luggage which has virtually replaced the conventional, sturdy, durable and widely used luggage made out of tin and metal. The second product is the pressure cooker, now so common in the kitchens of urban India. It is an example of a product concept which offers housewives a medium for faster and better cooking.

Among industrial products it is usually the technology factor which is translated into a saleable product concept. Thermax's industrial boilers which offer features such as fuel-efficiency and energy conservation, are a good example of an industrial product which has achieved success through its technology-linked special product concept.

Brands which owe their success in the marketplace to an excellent formulation of the advertising concept are not a few in number. Liril toilet soap is one such brand. Its basic ingre-

dient of lime perfume, which differentiates it from other brands of soap, was translated and projected effectively as the benefit of freshness. Appela apple drink's advertising appeal or concept, if one recalls it, was undoubtedly excellent and it made a tremendous impact in the marketplace. But unfortunately the brand failed because of shortcomings in some other elements of the market mix.

Likewise, Hot Shot camera's product concept is not new in any way, but the conceptualisation of its advertising campaign – projecting it as an instant camera – in the context of the Indian photographic market has made history. Kinetic's advertising promotion of its Spark moped as 'the city bike' is quite unusual and has greatly pushed the brand's sales.

In the matter of devising bankable advertising concepts, even traditionally laggard industrial product managers are beginning to move with the tempo of the times. Batliboi's advertising campaign publicising the equipment manufactured by the firm for the purification of the river Ganga is an excellent concept. In a short duration, the campaign has achieved high noticeability and improved the image of the product range and the company.

Likewise, Greaves Cotton's MWM diesel engines' advertising campaign which highlights the fact that the VIP boat, specially constructed to transport dignatories and heads of state of the commonwealth countries at the CHOGM in Goa, was powered by two MWM engines is another good example of an advertising concept. It helped to build an effective image and forcefully put across the benefits of the product to its potential buyers. There are other marketers too who use appealing advertising concepts to sell their products to industrial buyers and institutions.

In the ultimate analysis, as proved by the experience of marketers and marketing organisations over a number of years, success in the marketplace is assured when a good product concept and a good advertising concept are combined to constitute an efficient and effective mix. One concept supports the other to produce marketing strategies which are relevant and together they help in building a favourable consumer attitude towards the product and its advertising within the framework of the overall marketing objectives of the firm.

EFFECTIVE COMBINATION

There are a few notable examples of products in the market which have used the combination effectively. One of them is Maggie noodles and the other is Rasna soft drink concentrates. Both brands offer strong product concepts in addition to excellent advertising messages which are clear-cut and memorable on the one hand, and built the companies' images on the other.

In fact, there seems to be a prime need in Indian industry to introduce innovative product concepts and to back them with forceful advertising campaigns. This indeed is the one sure route to success in an increasingly crowded marketplace.

Sita. Mercury and Casino Nepal present:

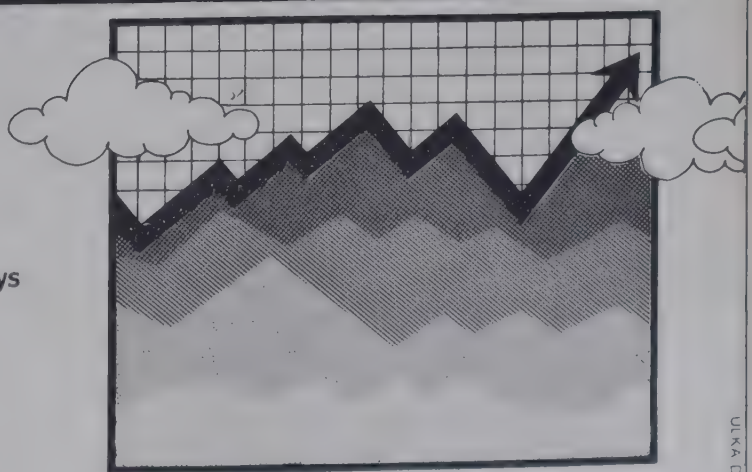
The Soaltee Surprise

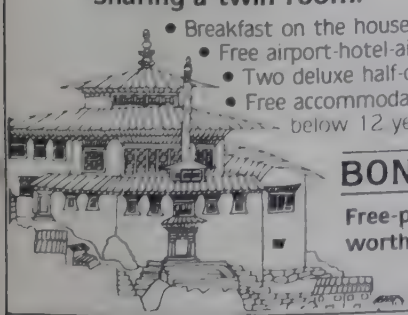
Motivate your executives with an exciting new perk this year. A conference in Kathmandu.

This year, make the Soaltee Oberoi the venue for your business meetings or dealer incentive conferences and watch the way your sales figures rise. That's why, companies who've experienced the Soaltee Surprise once, always come back.

For Rs. 1,234 per person for 3 nights & 4 days sharing a twin room.

- Breakfast on the house
- Free airport-hotel-airport transfers.
- Two deluxe half-day city sightseeing tours.
- Free accommodation for 2 children below 12 years.





BONUS

Free-play casino coupons worth Rs. 1,200/-.

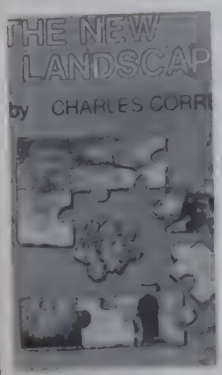
Soaltee Oberoi

Kathmandu, Nepal. Tel: 211211 Tlx: 2203•

For bookings and details, contact your nearest Sita, Mercury or Oberoi Hotels sales office or a bona fide travel agent

Righting housing wrongs

THE NEW LANDSCAPE
By Charles Correa
(Published by The Book Society of India. Price: Rs. 65. pp. 135.)



Within the Indian context, the magnitude and the consequences of the staggering urban housing shortage has not escaped notice, and most business organisations located in the major metropolises are by now only too acutely aware of the limits on growth imposed on them by such a shortage. Yet, few managers take time off to investigate the long-term effects of mass migrations on their future plans.

A new book by the well-known architect Charles Correa, *The New Landscape*, forcefully brings to the fore the need for in-depth analysis in this area. Written by an expert on housing, the book examines some issues pertaining to the phenomenon of urbanisation: causes, problems of housing and humanity, equity and mobility.

As Correa points out, "Across the globe, the towns and cities of the third world are growing very rapidly. In most of these countries, the annual population growth rate is something between 2% and 3%. But the towns and cities themselves are increasing at more than double this speed. For their growth is compounded by the great waves of distress migration from the rural areas."

The enormous changes which political decisions can force on urbanisation are concisely tabulated by Correa. "Because of national policies regarding industrial location and financial investments, the largest metropolii in India are not the fastest growing," he points out. Such changes obviously vitally affect the businessman, and using this book as a base for further information, the businessman can try to forecast, more accurately, trends which will affect him.

NEW MARKETS

For instance, the book provides a graph showing the growth rates for 17 major cities of India, which can be used to forecast the emergence of new markets and also to base strategies for future expansion and growth.

The essence of the book is a plea for New Bombay. Citing the overwhelming problems of Bombay, the author shows how easily these could be overcome simply by shifting the city's fulcrum away from where it is today (i.e. mainly the Fort area and southern end of the island) to a new city centre on the mainland, by changing Bombay from being a linear city to a circular (or "pinwheel") one.

Correa also discusses at length some basic principles of low-cost housing, questioning the widespread acceptance of certain fundamentals and offering some reasons for the high rate of failure in achieving aesthetically acceptable as well as viable and useful urban housing plans for the poor.

Correa identifies the failure of modern architecture to be "in the field of mass housing (in contrast to private residences, museums, schools, etc., where the record has been quite good). Without doubt, the architects earnestly and sincerely believed that they were going to create a more humane and livable habitat. But in actual fact, in most cases what they produced were faceless, ugly, and dull." He feels that this happens because architects tend to use the example of Henry Ford's assembly line: pick a good design and then clone it. But human dwellings need variety, identity and participation – "in short, pluralism". He therefore suggests that no architect should design more than 12 houses at a time – should not have great housing schemes, but smaller ones, planned to suit smaller numbers of people.

Correa bemoans the fact that many architects "ignore the fundamental principle, namely, that in a warm climate—like cement, like steel – space itself is a resource." Pointing out that building higher does not mean better or more optimal utilisation of land, he shows that low-rise, self-help housing in warm climates can be the most resource-optional way of solving the vexed question of attractive low-cost housing.

EQUITY HOUSING

An even more radical suggestion, which one suspects will never find favour with such a caste and class-conscious nation as India, is that of "equity housing." Correa asks us to "consider the cities of Australia where almost every family has a quarter-acre plot, no more, no less. Australia is locked into equality – it can never become elitist... Despite all our rhetoric about social justice and equal opportunity, we are locked in inequality." Correa advocates that "equity plots" be allocated to all sections of society – the rich should have, at the most, marginally larger plots, leaving the form of building on the plot to be decided by the owner – maybe just a couple of trees, a tied-up goat and a lean-to-roof, or elegant town houses.

One should not hesitate to pick up this book fearing that because it is written by an expert it may turn out to be a dry tome. Its touches of dry, ironic humour, punchy captions and apt illustrations, and its lively and easily comprehensible text make for enjoyable education.

Gita Piramal

Ad Alley history

THE IMAGE MAKERS: SECRETS OF SUCCESSFUL ADVERTISING
By William Meyers
(Publishers: Orbis, London.
Distributors: Strand Book Stall, Bombay, pp.242, Rs. 233)



New York's Madison Avenue, the mecca of advertising has always been the cynosure of international admen. More remarkable product launches have been plotted and planned from there than from anywhere else, which provoked economist John Kenneth Galbraith to comment that if Ad Alley – as Madison Avenue is commonly referred to by admen – and its commercials were to disappear from the scene, the GNP of the United States would be whittled down by over 50%.

Such comments may or may not be exaggerated, but they nevertheless underscore the extent to which Ad Alley has changed the lives of people the world over. Yet, strangely, little has been written about the image-makers and hidden persuaders who, three decades ago, launched the consumer revolution and unleashed the fantasy of unlimited material welfare.

CONCISE HISTORY

William Meyers has rectified this lacuna with his newly published book *The Image Makers*. The book not only provides a concise history of advertising in the US but also details case studies

BusinessWorld
May 12—25 1986

pertaining to and illustrating the major concepts and trends that dominate advertising today.

Meyers sets out to expose the advertising executive of the eighties as a "calculating technician, isolating and identifying the vulnerabilities of each segment of the population and then presenting the mundane and the ordinary, and even the superfluous, as a life-transforming wonder package they cannot afford to be without." This description of the contemporary adman is based on the now widespread use of the technique of psychographics, first developed by the Stanford Research Institute. Meyers demonstrates throughout the book how one derivative technique of psychographics, *viz*. value and lifestyle (VAL) oriented advertising, has been used with astounding success in campaign after campaign.

In psychographic theory, everyone falls into one of the psychographic categories, *viz* . 'belongers,' 'emulators,' 'emulator-achievers,' 'societally-conscious achievers,' and the 'need directed.' Each group has its own insecurities, whose diagnoses and exploitation are the stock-in-trade of the contemporary image makers of Madison Avenue.

Meyers illustrates with specific and well-known campaigns how each of these five groups' needs and insecurities were manipulated by the whiz kids on Madison Avenue. He classifies the advertising campaigns for McDonalds Eateries, PepsiCo and Coca-Cola as typical examples of campaigns designed for the belonger. This group comprises the traditionalists, the cautious and conforming conservatives and Meyers details how these advertising campaigns create images of idyllic environments and idealise images which appeal to the belonger. Similarly, campaigns directed at the other psychographic groups are detailed with humour and insight.

Interspersed with the chapters on the use of psychographic techniques are the retrospective, yet refreshing, accounts of some of the most successful campaigns of our times, including Apple, Atari, Coke, Colgate, IBM. Marlboro and McDonalds.

ADVERTISING STALWARTS

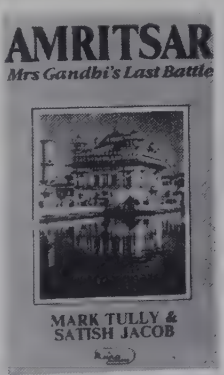
For the historically minded, Meyers provides a highly readable account of the various stages in the growth of Madison Avenue and the men who have made it what it is today. The roles of such advertising stalwarts as Rosser Reaves, the man who made Anacin a household name for millions the world over; James Walter Thompson, who began his first advertising agency in 1867; Albert Lasker, Madison Avenue's greatest tycoon who dominated the advertising scene from 1900 to 1940; David Ogilvy, who transformed advertising to a precise science; Bill Bernbach, the Piccasso of Madison Avenue, who attempted to raise advertising to an art and finally the iconoclast Doyle Dane – all men with "the charm of a spaniel and the tenacity of a bulldog" – are examined with candour and insight.

Meyers has also accorded an exclusive 'chapter-status' to the future of consumer culture and to such contemporary and futuristic subjects as 'narrowcasting' (cable television). Yet Meyers' work would have been more graphically appealing and comprehensible if it had featured the advertisements that he discusses. However, Meyers compensates this error of omission with lively textual exposition. For the professional or amateur adman, this book is, therefore, strongly recommended.

Abdul H.Gani

A perceptive account

AMRITSAR, MRS. GANDHI'S LAST BATTLE
By Mark Tully and Satish Jacob
(Publishers: Rupa & Co. price: Rs. 30.)



Now that the Punjab problem has once again attained critical dimensions, the recently published book, *Amritsar, Mrs. Gandhi's Last Battle* by BBC correspondent Mark Tully and Satish Jacob, is likely to be of more than a little significance. For beyond the labyrinthine and complex sociological issues that characterise the Punjab problem, Tully and Jacob trace the economic roots of the conflict, which the now stalled Punjab Accord has brought to the forefront again.

Allocation of water resources, the grain trade and the speed of industrialisation of the state are only some of the economic problems touched upon (in chapter 3). For lay readers, often baffled by the events in Punjab, the issues have been clearly spelt out. A background to the problems that have fuelled the discontent among Sikhs, particularly Jat farmers, which religious leaders are exploiting to full advantage, has been delineated. Though somewhat concise, it has the merit of being as unbiased as possible.

The crux of the book is the story of the rise and death of Jarnail Singh Bhindranwale. Amply illustrated with photographs, the authors set out to prove that Bhindranwale was the creation of power hungry politicians. Amongst them, Tully and Jacob allege, was the then home minister Zail Singh, "because Bhindranwale was still useful to him in his struggle with Darbara Singh." Such theories have been vehemently rejected by those close to the President, but the arguments of Tully and Jacob are not easy to refute either.

STRATEGIC OPTIONS

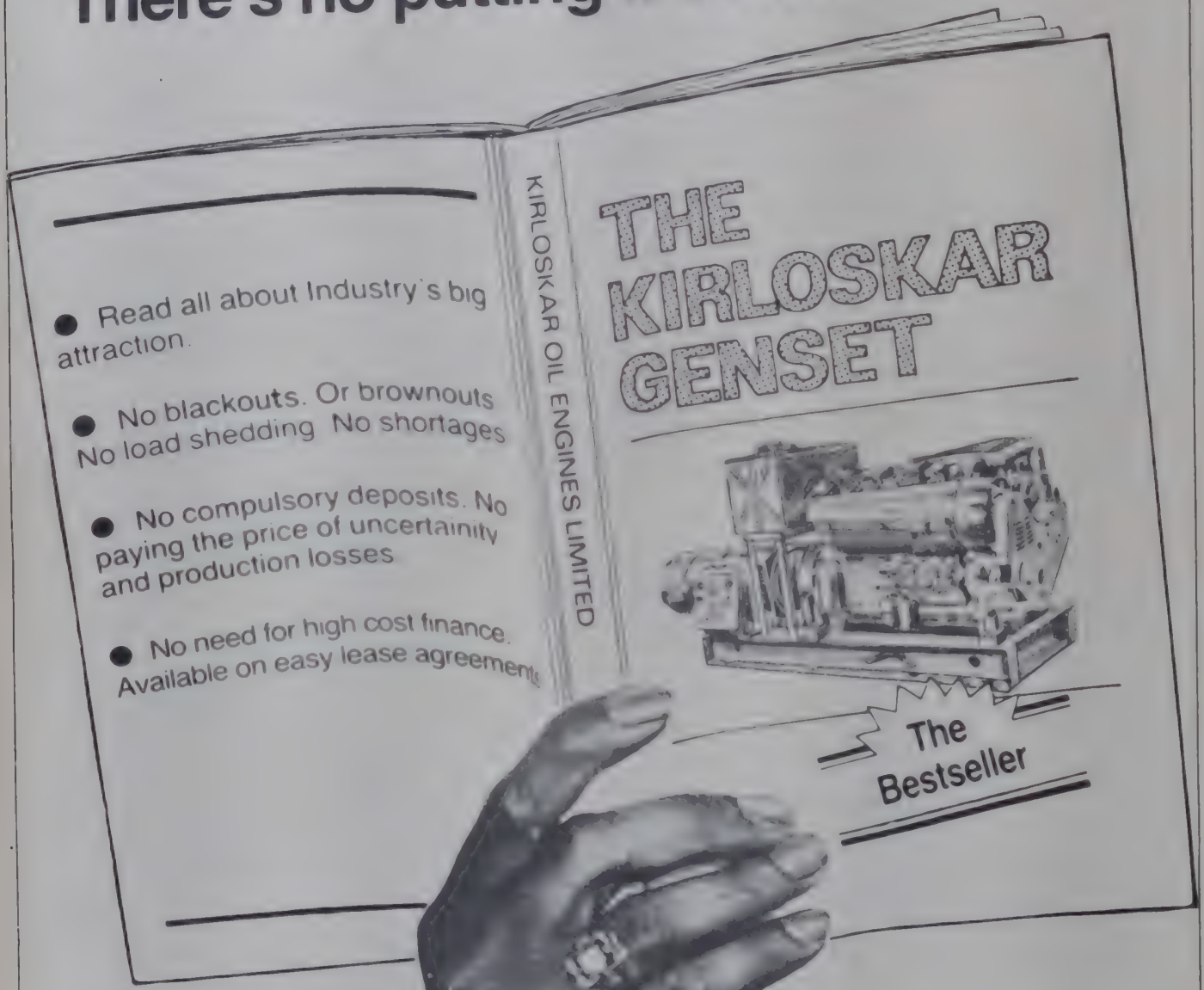
The most riveting section of the book deals with Operation Bluestar. Chapters 12 and 13 give a complete description of the stealthy fortification of the Golden Temple and its environs by men such as Major General Shahbeg Singh, the strategic options open to the armed forces, and how these were executed. Without openly criticising the *modus operandi* of the storming of the Golden Temple, highly competent sources are quoted to show that other methods of obtaining control of the temple complex were open to the Indian army, which might have reduced casualties. The most pertinent were the suggestions for starving out Bhindranwale and his men, or the use of gas.

Perhaps the only drawback to this excellent book is that Mark Tully and Satish Jacob make the solution to the Punjab problem appear a trifle facile. By identifying the problems so clearly, they argue that solutions can be found, only the will is lacking. Yet, as events of the past few months have amply borne out, there are no quick and easy solutions.

"War is never pretty, and it was full-scale war which broke out between the Indian army and the followers of Jarnail Singh Bhindranwale." In this one sentence, Tully and Jacob sum up one of the great modern tragedies of India. The complex politics which precipitated this needless war have been fearlessly and logically described. There are many other books on the Punjab problem, but while some are marred by sweeping generalities, or by open biases, *Amritsar* avoids both these pitfalls. Written with discernment and perception, *Amritsar* is a definitive volume on the Punjab problem, and deserves to be read by all thinking people.

Gita Piramal

Once you pick it up
There's no putting it down!



The most dependable power is now also the most affordable. With mains power tariff going up, the difference between the cost of diesel and state power supply has gone down. Now captive diesel power is the most sensible; economical and efficient source of power.

Powered by the HA and RB engines, the Kirloskar Genset is the most fuel efficient in its class....15 to 83 kVA range. It offers the lowest cost of operation.

We bring you all the benefits of this bestseller now within easy reach

Kirloskar

KIRLOSKAR OIL ENGINES LIMITED
Khadki, Pune 411 003

Contact our offices at:

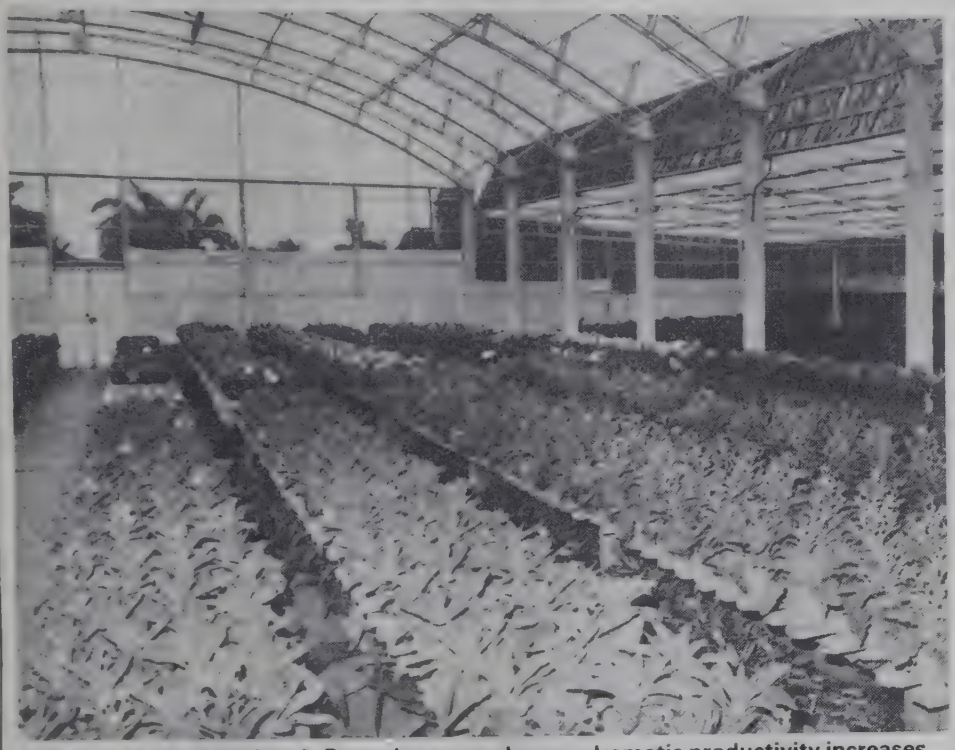
KIRLOSKAR OIL ENGINES LTD.
UCO Bank Building,
Parliament Street,
NEW DELHI 110001
Phone: 388544, 381786

KIRLOSKAR OIL ENGINES LTD.
15, Khader Nawaz Khan Road
Kakani Towers II Floor
Nungambakkam
MADRAS-600006
Phone: 471998

KIRLOSKAR OIL ENGINES LTD.
Suite No 1, 10th Floor,
'Chitrakoot', 230/A, Acharya
Jagdish Chandra Bose Road,
CALCUTTA 700020.
Phone: 443363, 444731

KIRLOSKAR OIL ENGINES LTD.
2046 Sadashiv Peth,
Pune Vedshastrottejak Sabha Bldg
Opp Municipal Sports Ground,
PUNE 411030.
Phone: 34697

The flowering of Indo-American



Interior of Indo-American's Bangalore greenhouse: dramatic productivity increases

Bhatt & Attavar explaining hybridisation to customers: long drawn out process



In recent times, the use of hybrid vegetable and flower seeds as a means of dramatically increasing plant productivity has gained recognition and acceptance within the indigenous farming community. Yet, just 20 years ago, hybrid vegetable and flower seeds were virtually unknown to the Indian farmer for a variety of reasons.

In the first place, the focus in the government's five year plans was mainly on traditional agriculture, and horticulture was relegated to the backseat both in terms of research and plan spending. Secondly, the technology of producing hybrid seeds demands an intimate knowledge of plants and their agro-environments i.e. the identification and selection of plants with distinct characteristics and crossing them to obtain a superior hybrid and extracting the seed from the fruit thereafter. This is a long drawn, painstaking and often frustrating process that involves heavy input of labour and a fair amount of capital.

Thirdly, the expertise and materials necessary for constructing climate-controlled glasshouses, which are essential paraphernalia in hybrid seed production, were as hard to come by then as even today. Finally, the commercial production of hybrid seeds which were consistent in quality and more important, marketing them was a forbidding proposition for although hybrid seeds are high-yielding and disease-resistant they are far more expensive than open-pollinated seeds as they require higher doses of fertiliser and pesticides. In other words, the big unknown factor for the success of hybrid seeds in the country was none other than the Indian farmer: would he accept hybrid horticulture seeds, and again would he accept them at a higher price than the ordinary open-pollinated seeds?

THRIVING CONCERN

One man who sensed the potential market,even if it seemed uncertain, for hybrid seeds both in India and abroad and who had the pluck to venture into their commercial production slightly over two decades ago is Manmohan Attavar (53), a rather sprightly individual. Today Attavar presides over a thriving partnership concern engaged in the production and sale — both export and domestic — of first filial generation hybrid flower and vegetable seeds and ornamental plants.

His Bangalore-based firm, Indo-American Hybrid Seeds (IAHS — sales: Rs. 1.30 crores in the year ended 30th June 1985), is among the largest and most innovative enterprises of its kind in India with 75 acres of farmland, of which

about 1 lakh sq ft is under fibreglass climate-controlled greenhouses and 2 lakh sq ft under seran (a synthetic netting much like a mosquito net used to regulate sunlight) cover. Registered in 1965, IAHS' success can be gleaned from the fact that the value of exports (Rs. 25 lakhs) made by the firm accounted for almost 25% of its 1984-85 sales turnover.

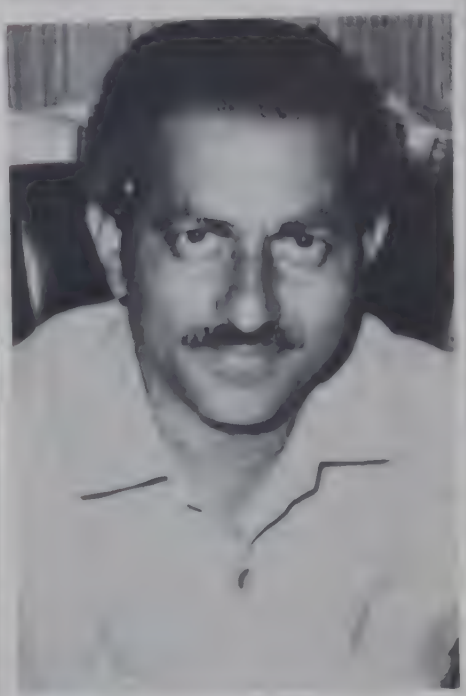
The genesis of IAHS is interesting. In 1960, Attavar, who hails from south Kanara, Karnataka, proceeded to the US after equipping himself with a master's degree in agriculture from Karnataka University's College of Agriculture, Dharwar. He enrolled for his doctorate in plant breeding and genetics at the Montana State University.

"After a couple of years as a research student," he recalls, "I happened to meet the director of research of a well-known seed company called Pan American Seed Co. Sensing my interest in seed production, he offered me a job as a plant breeder in his company. I naturally had to choose between continuing my research at Montana and taking up a job. I settled for the latter — a good decision in retrospect — and spent three long years with the American firm, learning the intricacies of flower breeding and seed production. Then in the mid-sixties, I made a tour of major seed producing units all over the United States which shaped my future career. It was then that I decided to return to India and set up a seed producing farm myself. When developing countries such as Costa Rica and Mexico can do it, I said to myself, why not India with its relatively inexpensive and abundant labour and plentiful sunshine?"

INVALUABLE CONNECTIONS

The only catch — an important one nevertheless — was that of raising the finance for the venture. But here again Attavar's American connections proved invaluable. "I drew up a small project report and put it up before the board of George J. Ball Incorporated, a pioneer seed company, one of whose subsidiaries was my employer. The essence of the report was this: The Americans should lend me the seed capital and in return I would produce and export flower (mostly petunia) seeds exclusively to them, paying back the amount of $14,500 in five equal instalments over a period of time. They agreed but demanded surety. My research guide at Montana and a professor of agricultural extension work in the same university, bless them, came to my help and the contract was signed," recalls Attavar.

Returning to India in 1965, Attavar chose to locate his venture in Bangalore: "Elevation, scanty rainfall and long dry spells made the city ideal for flower and vegetable seed production," he says. After some initial difficulty in locating a piece of land with some irrigation facilities, Attavar zeroed in on a half-acre site at Yediyur, some 5 km from downtown Bangalore, and obtained it on lease. He set up a greenhouse and concentrated on producing hybrid petunia seeds and some ornamental plants. The then state director of agriculture, who was once Attavar's examiner at the agriculture college in Dharwar, lent moral support and extended facilities such as the use of a small greenhouse for carrying out such sensitive operations as hand-pollination of seeds. The turnover in the first full year of operations *viz.* 1976-77, was a modest Rs. 50,000, but all of it was earned in foreign exchange.



Attavar: "why not India?"

However, the sailing was none too smooth and Attavar found it difficult to go it alone, financially and otherwise. Fortunately for him, an old friend and contemporary at the agriculture college in Dharwar, N. Krishna Bhat, who at this point in time was tired with his frequently transferable job in the then Spices Export Promotion Council, decided to team up with him. Bhat (49), like Attavar, is from south Kanara but unlike him comes from a prosperous agricultural family from near Mangalore. With Bhat joining Attavar in 1969, the finances of the firm were placed on a more even keel and plans were drawn up for diversification into hybrid vegetable seed production for the domestic and overseas markets.

Meanwhile, the firm began to export 'live' fruit plants and indoor plants to West Asian countries with a fair measure of success. And in keeping with its expanding operations, in the early seventies, four more acres of land were acquired, this time in Channasandra Village, some 8 km from Bangalore for production of flower seeds. This was later increased by acquiring another 16 acres in the same plant.

Soon the firm's vegetable seed production was well underway and in 1973 after successful trials it released for domestic production — for the first time in the country — a F1 (first filial generation) hybrid tomato branded Karnatak and F1 capsicum hybrid, Bharat. In fact the christening and release was done by the then prime minister Mrs. Indira Gandhi herself. The initial market response was however lukewarm although after 1975 sales began to look up particularly in Maharashtra, Karnataka and Gujarat.



Bhatt: even keel

PRICED HIGHER

"The initial reluctance of farmers to purchase hybrid vegetable seeds was understandable," says Bhat. "First and foremost, hybrid seeds were at the time practically unknown in India. Second, they need three or four times more fertiliser than open-pollinated seeds besides intensive plant protection measures, and in the case of tomato, stakes to prevent the plants from lodging. Fi-



Shetty: resistance to use of hybrid

nally the seeds themselves are priced higher than open-pollinated seeds," he adds.

But soon the advantages of using hybrid seeds became apparent to farmers and they began using them extensively. "Hybrid seeds generally yield four to six times more than open-pollinated seeds and are also early maturing and tolerant to common diseases and pests. So on balance, the benefits outweigh the higher cost and more farmers began to realise it," says Attavar.

Eventually, the vegetable seed farm was shifted to a 30 acre site in Channasandra village where vegetable seed trials had earlier been carried out. This site was reserved exclusively for flower seed and ornamental plant production. Meanwhile, the leased half-acre plot that Attavar began with had become the firm's own and was in fact expanded with the addition of another 2.5 acres.

In 1974, a year after the release of the two vegetable hybrids, IAHS received a badly needed shot in the arm when two senior executives joined the firm: Dr. K.R. Bhandary as technical director in charge of flower seed and ornamental plant production, and Dr. K.P. Vasantha Shetty as director, vegetable crops. Interestingly, both Bhandary and Shetty hail from south Kanara as well and studied in the same agriculture college in Dharwar under the same professor S.K. Kalolgi, as did Attavar and Bhat.

Shetty, who earned a doctorate in horticulture from the University of Minnesota, USA, was an associate professor in vegetable crops in the University of Agricultural Sciences, Bangalore before joining IAHS. The mild-mannered Shetty's contribution to the development and production of hybrid vegetable seeds by the firm has been considerable. "In the last 10 years we have developed and released a number of first filial generation hybrid seeds in tomato, brinjal, cucumber, muskmelon and watermelon," he says proudly.

According to Shetty, the resistance of farmers to the use of hybrid seeds is weakening and in fact the demand today for certain varieties of high-yielding hybrids such as tomato seeds is so great that the firm is unable to cope with it. "Also the scope for the export of hybrid vegetable seeds, particularly tomato and watermelon, to advanced countries such as the US, Holland and France where farm labour costs are prohibitive, continues to be good. What gives me and our firm a sense of pride is that we have been able to prove to those who once scoffed at our efforts that we here in India can produce hybrid seeds as good as anyone else anywhere in the world," he says.

DIFFUSED EFFORTS

Attavar and Shetty's counterpart in charge of flower seed production, Bhandary, shares the sentiment. However, Bhandary, who obtained his doctorate in horticulture from the New Delhi-based Indian Agricultural Research Institute feels that organisations such as IAHS need to be given greater support by the government. "The Union government seems to have no clearly defined policy on horticulture development. Consequently, the efforts are too diffused and uncoordinated. I would not say that the government does not help at all but so far as entrepreneurs such as us are concerned it is often too little and too late."

According to Attavar, floriculture and olericulture products could generate sizeable foreign exchange earnings if only "major constraints" on import of raw materials — peat moss, pesticides, agricultural chemicals — are removed and greenhouse equipment allowed to be imported duty free. Attavar also feels that packing credit advanced by banks to export-oriented units in horticulture should be extended from the current period of six months to nine months since, as he puts it, "it takes five to six months to produce the seed and another three to complete trials on the purity of seeds produced."

Somewhat in the same vein, IAHS Bombay-based marketing director Harendra Parikh, a master's degree holder in horticulture from Oklahoma University, USA, laments the fact that the import duty on greenhouse chemicals is a hefty 140% and argues that the severe restrictions imposed on the import of plant materials and parent stock have hampered the indigenous development of improved hybrids.

These problems notwithstanding, the domestic sales of IAHS have been encouraging. "Sales of our vegetable seeds are fast picking up in Maharashtra and in Gujarat too farmers are showing interest. We have yet to make a significant impact in the north. In the next six months we will be doubling our dealer network in Maharashtra and Gujarat and that will surely help us to do even better in those states. The market for live plants is also good and we are also doing a bit of landscaping work," says Parikh.

IAHS today exports hybrid flower seeds, live ornamental plants and open-pollinated seeds of vegetables such as

Bhandary: government support plea





The strong grip of leadership

Goodyear demonstrate leadership worldwide. In technology and research, innovation and quality, in popularity amongst users and performance on world race-tracks

The largest earthmover tyre, the tyre that landed on the moon, the largest-selling car tyre in the world — **each** one is a Goodyear !

Right here in India Goodyear lead with Power Cushion. The tyre you have made an **unquestioned** leader. Well, that's Goodyear. The finest, the world over. As Power Cushion is in India.

And with all reason.

Deeper and Wider Tread : More rubber on the tread than any other car tyre. (Consumers testify to over 50,000 Kms. of non-skid safety).

Computer chips in for more mileage, more safety :
Power Cushion's computer-perfected tread design ensures greater grip, more comfort, more safety as tread adjusts automatically to road profile.

Unique Arrow-Head Design :
For a quicker start-stop, lower rolling resistance, more fuel saving.

'3-T' Nylon Casing :
Resilient and abrasion-resistant casing that ensures more retreads .



That's Goodyear Power Cushion



GOODYEAR

LEADING THE WORLD IN TYRE TECHNOLOGY

okra, radish, chillies, spinach and onion mostly to West Asian countries. Vegetable seeds and ornamental plants are also sold to indigenous customers. Among the clients for the latter are big nurseries, hotels belonging to the Oberoi, Taj and Welcom groups, ITDC and several Raj Bhavans apart from offices and commercial establishments.

PRINTED INSTRUCTIONS

It is reportedly among the few firms in the business which sends out printed, easy-to-understand instructions on plant maintenance along with the seed packets. According to Attavar, at every stage of production, from sowing to seed harvest, care is taken to raise seeds from healthy plants and avoid natural cross-pollination, mechanical mixture and chance self-pollination in female lines. The seeds produced at IAHS are tested for germination percentage and genetic purity and stored under controlled temperature and humidity conditions before they are packed for internal sales or export.

Comments Kamla Nath, the proprietor of a nursery in New Delhi: "I have been dealing with IAHS for the past eight years. I buy ornamental plant worth about Rs. 2 lakhs every year from them. I find them reliable and honest and what appeals to me most is their highly scientific approach to plant breeding and the sheer variety of their collection to which they keep adding year after year."

Currently, IAHS is also concentrating its efforts on producing hybrid seeds of cole vegetable (e.g. cabbage) crops. Work on this project is being carried out in five small farms in Delhi and two farms at different elevations near Nainital. The research is being coordinated by the firm's R&D director Dr. Vishnu Swarup, a doctor of horticulture from Kansas State University, who retired prematurely as an UNDP-FAO consultant in Nigeria to join IAHS.



Custom packed live plants for export. Inset: Swarup

According to Swarup, the major focus is on developing heat tolerant cabbage and cauliflower. "We have already released hybrid seeds of heat tolerant cauliflowers and cabbages which can be grown in areas where the crop is not traditionally cultivated because of climatic factors. We are also working on certain other vegetable crops including carrot and radish," says Swarup.

Swarup, Shetty, Bhandary, Parikh and Bhat along with Attavar are all partners in IAHS's associate firm Indo-American Exports, promoted in 1982 and managed by Attavar. The firm is currently exporting filial generation hybrid seeds of tomato, watermelon and muskmelon to Peto Seed Co., USA a member of the George J. Ball group of companies.

MUTUALLY BENEFICIAL

The seeds are produced on widely dispersed, half to one acre farmers' plots, totalling 250 acres, in the districts of Bellary and Dharwar. The firm provides male and female seedlings for hybridisation to famers who carry on from there under the overall supervision of the firm's technical staff stationed in the district. The seeds produced are bought by the firm, tested for germination purity and exported. "The programme is mutually beneficial," says Attavar. "We get the seeds we want; the farmers get additional income. Some seasonal employment is also generated." Attavar next plans to set up a tissue culture laboratory for ornamental plants and seeds.

Certainly Attavar and IAHS have come a long way in their quest for producing quality hybrid seeds. Reads a prominently displayed plaque in Attavar's office: "If folks only knew how many minutes of thinking, hours of digging, days of sunshine, weeks of coaxing, barrels of fuel oil, pounds of fertiliser, bushels of rich soil, gallons of water and inches of backache it takes to produce a pretty flower, they (will) gladly pay the price."

Quite obviously a growing number of people are realising the value of hybrid seeds and as Attavar and his company's sales figures will vouch, are willing to pay the price.

N. Raghavan

Hybrid flower plants in full bloom: many inputs for a pretty flower



Why today's top-managers must have a head for computers.



Fact is, the future of your company depends largely on how you exploit the opportunities computers are throwing up.

According to International Business Week, "For top executives to utilize computer technology fully, they must recognize that it has become too critical to leave to the technicians."

So whether your company already has a computer, or is planning to get one, it is imperative that you understand the essentials of this technology. Only then can you make sure your company gets the most out of computerisation.

That's where COMPUTERS TODAY comes in.

It's the one magazine that looks at new information technolog from the point of view of top management.

Read it. You'll get well-researched, well-analysed, well-presented information that's particularly relevant to the Indian corporate world. Written in a lucid, crisp style.

There's a regular section on 'managing Information Technology.' In it, you'll find articles on how to implement new technologies, the opportunities you can, and should exploit, th pitfalls to avoid ... the kind of information that's an absolute mu for top management.

Over and beyond this, COMPUTERS TODAY gives you the latest industry and product news—both national and internatior In fact you will get to know anything that's happening anywhere the field of computers.



If all this sounds like advertising hype, here's a fact that might interest you : more top-level decision makers read COMPUTERS TODAY than any other computer magazine.

So if you'd like to get in touch with what computers are doing to business today, mail the coupon to us. Fast.

From the publishers of INDIA TODAY

Computers TODAY

You could turn obsolete without it.

Computers TODAY

I am sending a cheque/DD of Rs. 72 in favour of Living Media India Pvt. Ltd
Please make sure I get the next 12 issues of Computers Today regularly

Name: _____

_____

Address _____

_____

Living Media India Pvt. Ltd.
Subscription Department
Thomson Press Building
Post Box 69
Faridabad 121 007
Haryana

INTERFACE 1803



India's book publishing mess

BY ANAND P. RAMAN

Trapped in a vicious circle of rising costs and ebbing demand, book publishers are confronted with confusing government policies which have pared margins to the bone and imperilled national educational standards

As the widespread infusion of sophisticated new technologies transforms the contours of the Indian economy, preparing the ground for the great leap forward into the next century, the future that beckons is unmistakably of a new information age. Spurred on by this approaching reality, the future-oriented Rajiv Gandhi government has to its credit activated a dynamic policy thrust particularly in areas such as electronics and telecommunications, aimed at giving industry immediate access to the wonderworld of information technology.

The aftermath has been spectacular: while the use of computers is spreading like wildfire even in the most conservative sections of industry, television and video have penetrated the remotest corners of the country, significantly altering both value systems and information absorption habits. This boom in the electronic media has led to the facile conclusion that the reading habit is fast becoming an anachronism in the new instant information society.

Indeed, in the wake of this hi-tech onslaught the oldest segment of the information business – the indigenous book publishing industry – is enveloped by an all-pervading gloom. Trapped in a vicious circle of rising costs and ebbing demand, book publishers are confronted with the prospect of effecting a costly transition if they are to meet the challenges of the new information age.

Pointers to the future of the Indian book publishing industry – the world's eighth largest in terms of book production – are conflicting. On the one hand one of the largest newspaper publishing giants in the country, the Calcutta-based Ananda Bazar Patrika Ltd. has recently succeeded in wooing Penguin Books Ltd., UK now in the 50th year of its existence, into a holy alliance to promote a book publishing venture, the first

of its kind in India.

As David Davidar (27), the young former journalist, handpicked by Penguin chief executive Peter Mayer to head Penguin Books India Ltd. while the former was undergoing an intensive publishing course at Harvard University, explains, "A lot of people rightly believe that this country has a great deal to offer in terms of both writing and as a market for books. We plan to develop a list of both fiction and non-fiction titles which will capture, not just the domestic market but a significant slice of the international market as well. We hope to have our first list of 12 titles out by mid-1987." With at least 10 manuscripts



Davidar: international aspirations

currently being processed at Penguin Books' New Delhi office, it is clear that a major effort to change the face of Indian publishing is under way.

Unfortunately, this event cannot be regarded as one heralding the emergence of a renaissance in Indian publishing. A contrary trend has also manifested itself. One of the more adventurous book publishing firms, Roli Books Ltd. has opted to cash in on the recent boom in the newspaper and magazine market by bringing out the capital's first specialist weekend newspaper, the *Sunday Mail*. If industry sources are to be believed this is a calculated gamble on the part of Pramod Kapoor (32), who began as a sales representative with Macmillan and now heads Roli Books.

When quizzed about his decision to enter the newspaper publishing business, Kapoor commented: "We have succeeded to a large extent in publishing art books and are the pioneers in this segment. Of course, as the number of such books that we can publish are limited, this is a constraint on our growth. We chose therefore to plug an obvious gap in the newspaper publishing business." Quite clearly the publishing industry is at the crossroads, as both crisis and opportunity stare the industry in the face.

For once however, the powers that be have not remained impervious to this dilemma, and have not, as is their wont, ignored the plight of what could perhaps be construed as an obsolete medium.



Kapoor: obvious gap

In mid-March this year, an epoch-making document of no less significance than the draft education policy statement was submitted to the Union government by a quasi-official committee constituted specifically to study the indigenous book publishing industry. The title of this document says it all: *Towards a National Book Policy*. This historic report – the first comprehensive attempt to tackle every dimension of the paradigm posed by the stagflation in the book publishing business – is the handiwork of a working group set up by the rejuvenated National Book Development Council (NBDC), which not only coordinates government-related book activities but also acts as a liaison between private publishers and government.

Comments Kanti Chaudhuri (60), former vice chancellor of Jabalpur University and chairman of the five member working group on the National Book Policy: "The origins of our endeavours date back to July 1984, when the then Union minister for education, stated on the floor of the Lok Sabha, that the formulation of a National Book Policy had been referred to the NBDC. The need for such a policy arises from a number of imperatives with regard to books, such as the declining habit of serious book-reading, the concerns expressed by the publishing industry, state governments and educationists, not to speak of authors, intellectuals and librarians.

Unquestionably, the need for such a policy statement was long overdue, for book publishing is an extremely complex vocation requiring a combination of business acumen and cultural awareness. Nor are matters simplified by the fact that the fledgeling indigenous industry is critically dependent on government policy for its survival. Not surprisingly, government policy to date has been vacillatory and contradictory, hindering rather than aiding the growth of this knowledge-based industry.

This draft policy, according to Chaudhuri, aims at promoting quality literature at all levels of education as well as stimulating the reading habit especially among children. Covering the length and breadth of the country, the working group has made specific recommendations on a plethora of issues, ranging from the development of children's literature and the strengthening of the library movement, to the active promotion of creative writing. Perhaps the most important policy change advocated by the authors of this report is the association of the private sector in the production of school-level textbooks, currently the monopoly of the state (see box p.72).

In fact, this report has been radical enough to evoke the ire of the mandarins of the department of education within the Union ministry of human resources development. While the NBDC had constituted the working group in consultation with the ministry, with a serving bureaucrat as its member-secretary, official sources insist that the status of this draft is nebulous. A top level bureaucrat who insisted on anonymity when asked for a comment on the policy, spluttered to this correspondent, "Please remember this is not a policy statement, this has not been drafted by us. I have just received this document. Now we will have to set up our evaluation committee to consider it and to see if its recommendations are feasible or not."



Chaudhuri: not confidential

The indications are that the bureaucrats within the department are incensed because the working group has made its draft public instead of keeping it under wraps. Chaudhuri however points out, "This is strange. We wrote our report on the basis of our terms of reference. We even held a workshop to test our findings before submitting the report to the government. There is nothing confidential about it."

Such bureaucratic hostility to a trailblazing endeavour is not surprising. For some reason the NBDC, currently headed by Krishna Kripalani who is also chairman of the National Book Trust (India), has always been suspected of being the mouthpiece of private sector publishers. Which perhaps explains why none of its previous policy suggestions have ever found favour with the government establishment. Interestingly, the NBDC was convened on just seven occasions between 1967 and 1972 before lapsing into oblivion. It is therefore a moot point whether this draft too will not make its way to the dustbin of the department of education.

Yet whatever the ultimate destiny of this draft, even the dyed-in-the-wool optimist will concede that the time has come for the Union government to formulate a major policy initiative aimed at strengthening the sinews of the indigenous publishing industry. Despite the growth of per capita incomes and improved literacy rates which have resulted in the growth of the potential readership, the initiative has been wrested by magazines and newspapers,

The National Book Policy

The draft National Book Policy (NBP) is bursting with promise. The single most crucial recommendation it makes is to associate the private sector book publishing industry with existing state level book publishing agencies to fill in the gaps in the publication of school-level texts within the parameters of the syllabi, approach and expertise developed by the latter.

The rationale of this according to the working group, is based upon a variety of factors. Firstly, to remedy the single textbook scheme which it is widely acknowledged inhibits the learning process because of the poor quality of textbooks. And secondly, to ensure that the choice of an education is available in the mother tongue at the primary level. Insisting that the magnitude of this task which embraces primary, secondary and tertiary education is well beyond the capacity of the state agencies, the NBP says, "In view of the challenging task, agencies, expertise and the resources of the book trade may be fully availed of in the production and distribution of such literature while ensuring quality, pricing and availability of books."

Strong case. Vis-a-vis higher education, the NBP suggests the setting up of a working group to suggest a 10 year time scale measure which would rectify the existing non-availability of books in certain subject areas and to ensure the progressive utilisation of Indian languages for higher education. It also makes a strong case for the tapping of the cream of Indian academics to ensure a continuous stream of books and monographs in the frontiers of specialised subjects as well as literature to popularise science and technology.

On the question of furthering the reading habit, the NBP's basic premise is that it is to be inculcated right from childhood if it is to endure. So it suggests the strengthening of school libraries, the 'teaching' of reading itself as part of the curriculum and the creation of a network of mobile libraries. With a view to popularising books, it suggests that AIR and Doordarshan allot time for book reviews, for reading sessions and for serialising outstanding works of literature. Sensibly, the NBP argues for the enhancement of the promotional activities of the National Book Trust (NBT) in the sphere of arranging book fairs and exhibitions, so that this organisation can become the prime mover of the book publishing industry.

To alleviate some of the constraints of the book trade, the NBP suggests the setting up of a Book Finance Corporation and the grant of loans at concessional rates by banks by including the book publishing industry in the priority sector. To reduce paper costs, the NBP suggests that the government permits the import of paper to the extent of 50% of the total value of book exports made by the industry to keep raw material prices in check. The group has also pleaded with the postal authorities for the reduction of the rates on the mailing of books so that direct mail services and book clubs can gather strength.

Admitting that distribution of books is still the weakest link in the chain, the NBP suggests the initiation of a massive cooperative distribution plan by publishers which would be supported by the state. "We are convinced that it is beyond the reach of a single private publisher to organise sales outlets throughout India. It is only through joint ventures on a cooperative basis that the country-wide distribution of quality books at reasonable prices can be ensured," reads the policy document.

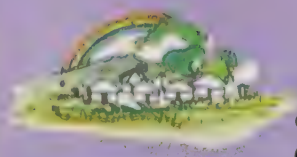
Vital issues. Quite significantly, two separate sections of the 109 page draft deal specifically with the vital issues of literature for children and the promotion of creativity in writing. While in the case of the former the NBP places great emphasis on the state agencies organising the supply of children's books of good quality at cheap prices, to foster the growth of authorship a National Union of Writers on a cooperative basis has been suggested. Such a cooperative, says the NBP, will go a long way in safeguarding their interests.

In the ultimate analysis, despite its rather unstructured character, the draft NBP is comprehensive enough to serve as a blueprint for the infusion of a liberal dose of adrenalin into the book publishing industry if it is accepted by the government. But that is a very big if.



Cool in Kerala

some cool places



Get to the top of the world. You have a choice of two hill resorts. ***PONMUDI*** *and* ***MUNNAR.*** *Cool, misty and away from it all. Stay in quaint fairy tale cottages and bungalows. Breathe in the aroma of freshly picked tea leaves and cardamom... It's a trek to the top of the world.*

For more details, contact: KERALA TOURIST INFORMATION CENTRE, (Department of Tourism, Kerala), 219, Kanishka Shopping Complex, Ashok Road, New Delhi 110 001 • 28, C in C Road, Madras 600 105, Tel. 479862 • Park Veiw, Trivandrum 695 033, Tel. 61132 • Kerala Tourism Development Corpn. Ltd., P.B. No. 46, Behind Secretariat, Trivandrum 695 039, Tel. 64261, or your nearest Govt. of India Tourist Office.





MUNNAR *is 224 km from Cochin.*
PONMUDI *is 61 km from Trivandrum.*

Kerala

Topads T. DOT 1186 M

Role Excellence is a raised quality of life. Whatever may be your role. Chairman or Junior Executive. What you ar hardly matters in role excellence. What matters is what you do with your role. And how well...

"An excellent plumber is infinitely more admirable than an incompetent philosopher. The society which scorns excellence in plumbing because it is a humble activity and tolerates shoddiness in philosophy because it is an exalted activity will have neither good plumbing nor good philosophy. Neither its pipes nor its theories will hold water". So says John Gardner.

Excellence need not be confined to what are considered 'intelligent' or 'white collared' roles. It is possible to have role excellence in every role, however humble.

In one of the skyscrapers in Bombay there is one particular lift in which everybody likes to travel. This lift is singled out even when the other lifts are empty, because its liftman is a little special. The enthusiasm and cheerfulness with which he does his simple task attracts people. He has chosen to do the mundane job of going up and down all day with as much enjoyment as possible. He has chosen to excel in his role.

Yes, role excellence is a choice. One can choose to be excellent in his/her role regardless of constraints. It means a raised quality of life. A striving for perfection in the activity one is performing, however humble.

Role excellence of one role cannot be compared with that of another. It is unique to a role. Each role is important and therefore excellence in each role is important.

What does excellence comprise?

Mahato Mahiyan (greater than the great)–the perennial call to excellence–has been with us from Upanishadic days. But what exactly does society mean by excellence? Does it mean success? Does it mean power? Or does it mean personal fulfilment and satisfaction?

There are at least two critical characteristics that comprise human excellence.

One is a deep concern for others. Especially for the people who are directly affected by your work, be they customers, patients, students, clients, etc. You are not likely to pursue excellence if you work, however hard, only for your singular benefit. It limits the scope of your trying. But if you do show care and concern for others you are motivated to increase the scope of your activity. You will do things distinctly, differently. You will walk that extra mile. You will go a little beyond the call of duty. Your behaviour will stand out. There will be that distinct touch of grace and greatness.

The second characteristic is a hardiness of spirit. Because, to care and show concern for others consistently and persistently is not easy. It could mean sacrifice. Sometimes to a degree which hurts. The weak of spirit may admire excellence, they cannot pursue it.

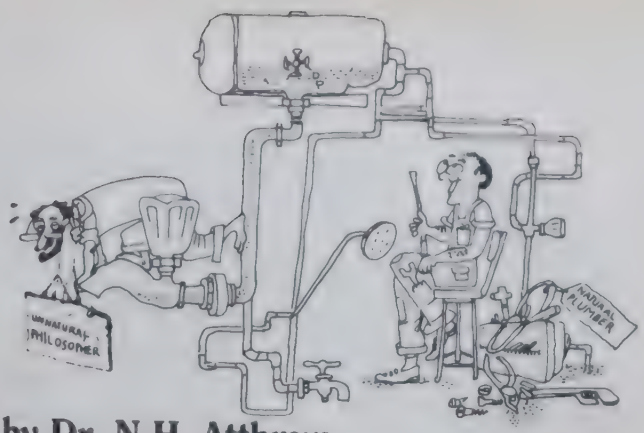
To the above two characteristics, a third can be added: 'One better each time'. The pursuit of excellence is not static. It is dynamic. Excellence is not a destination, it is a journey.

Corporate excellence

Everybody talks of excellence today, especially in business circles. Thanks to books like "In Search of Excellence" and "The Winning Streak". Today's world is getting more and more corporate. And so



The joy of Role Excellence



by Dr. N.H. Atthreya
Management Consultant, Bombay.

quality of life depends to a large extent on the prevailing corporate culture. If that culture gives excellence a pride of place, it will be pursued by many. Corporate excellence is a good business proposition. Because it invariably reflects in its products. And who does not want excellent products? After all, they fetch handsome premiums. Take for example the products of Sony, IBM, Du Pont. Many however wait for external conditions to force them to do better. They do not realise that being compelled may rob them of the joy of excellence that comes from self-choice.

Pursuit of excellence also makes good career sense. When you excel in your role, the resultant joy begins to mean everything to you. And you find your days richer forever. Operational excellence becomes your style of operation. As you excel in your role, the world around you takes more than appreciative notice of you. You get picked up for higher levels of responsibility. This is true even in government circles. Come to think of it, there is plenty of room at the top. Congestion is only at the bottom.

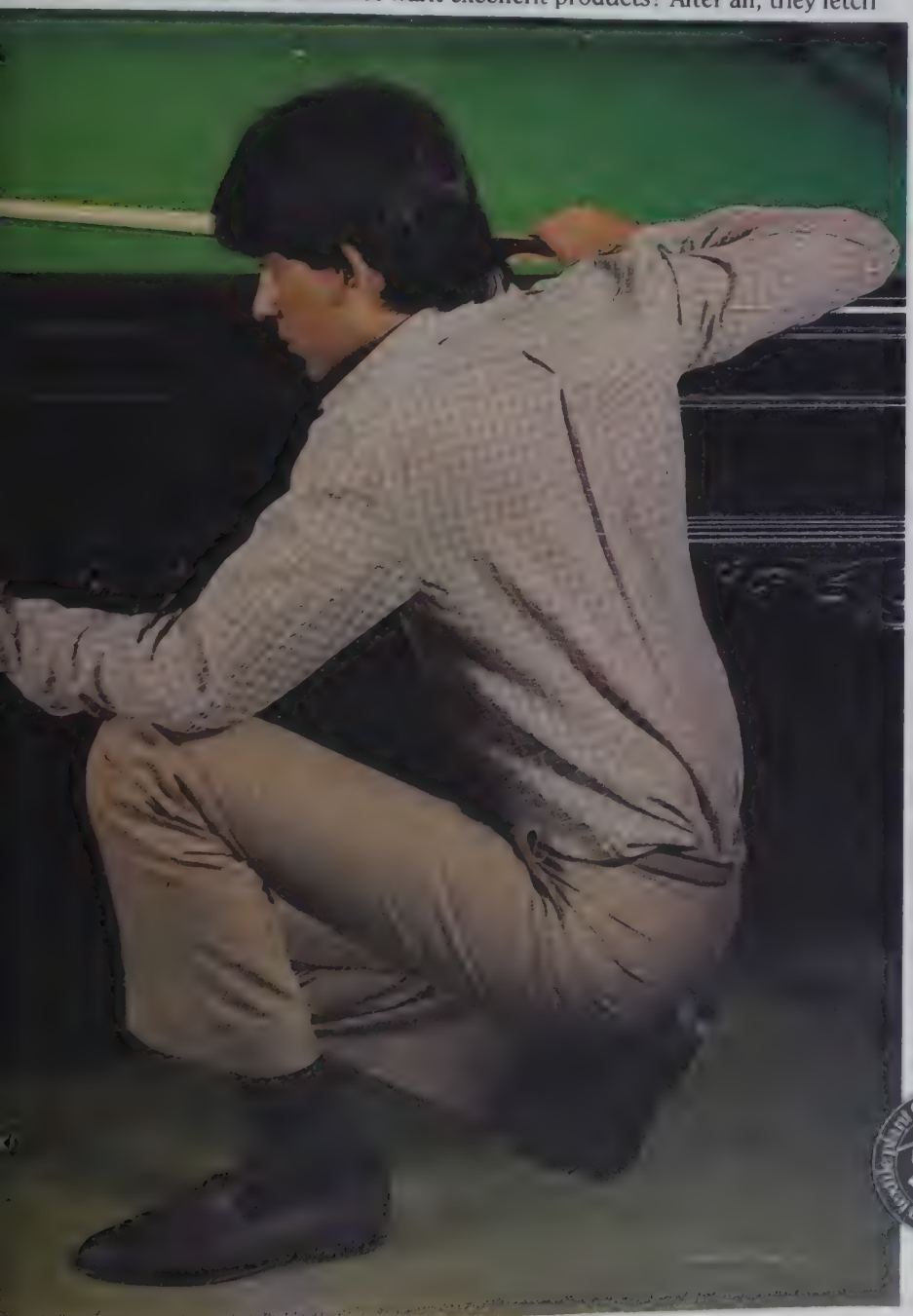
Team excellence

Corporate excellence is team excellence. While individual pursuits matter, team pursuit of excellence does, even more. But how does one create a climate for excellence?

One way is to encourage excellence wherever found. By noticing it, by saying a nice word about it, by talking about it, by writing about it.

Another is to respect each role, however humble. In fact, the humbler the role, the harder it is to perform. And it deserves more respect.

And then there is another way. That is to demand excellence. As Somerset Maugham said, "It is a funny thing about life. If you refuse to accept anything except the best, you very often get it".



World Billiards Champion, Geet Sethi.

This message comes to you from Vimal. The trusted corporate fabric. And this summer, Vimal brings you another competent range of Polyrich Suitings. Fine textured. In summer-compatible shades.

From India's most modern mills
ONLY VIMAL

VIMAL
Polyrich Suitings



We'll deliver. Wherever on earth. **SKYPAK** The worldwide couriers.

India's stagnant book trade

	No. of titles
1970-71	18,305
1971-72	17,557
1972-73	17,020
1973-74	17,600
1974-75	16,192
1975-76	21,957
1976-77	21,922
1977-78	19,659
1978-79	18,584
1979-80	16,466
1980-81	17,158
1981-82	16,798
1982-83	16,700
1983-84	16,650

Source: BusinessWorld compilation

which are notching up record circulation levels. Even a casual glance reveals that newsstands are overflowing with a veritable deluge of highly specialised magazines targeted at selected groups of readers, luring them away from books which are universally accepted as being richer in educational content.

MAINLINE DAILY

Carried away by this trend, even large industrial groups which have tended to keep their distance from the newspaper publishing industry are throwing their hats into the ring. Business circles are all agog at the news that textile tycoon Vijaypat Singhania has decided to launch a mainline daily – tentatively titled *Indian Post* – from both Delhi and Bombay within the next six months. Indeed, most newspaper groups appear to be embarking on an unprecedented scale of expansion and competition, particularly regional publication houses.

The claim that the addictive attraction of television has turned readers into viewers is contradicted by statistical evidence. In the seventies, the total number of periodicals rose with astonishing rapidity from 14,531 (1970) to 18,140 (1980), increasing further to 19,144 (1981). Of these nearly a third are dailies, bi- or tri-weeklies or weeklies. This evidence is also buttressed by the experience of the nations of the developed world in which despite the all-pervasive popularity of television, the book publishing sector has grown from strength to strength.

Even as the pace of life particularly in the metropolitan towns becomes more frenetic, allowing for precious little leisure time, the argument that the book reading habit is likely to fade is tenuous. The grand old man of Indian publishing, D. Mehra (76) who spoke to *BusinessWorld* on his first visit to Delhi after 14 years comments philosophically: "If anybody says that he doesn't have the time to read a book, it is nothing but self deception. It's merely his ego speaking. If you want to read books, you can always find the time to do so."

Yet nothing could have brought home the fact more emphatically, that a generally complacent population living within an uncompetitive environment is unwilling to make the effort to read books than the recently concluded biennial World Book Fair held at the sprawling Pragati Maidan complex in New Delhi in February. This year quite a few records were broken at the fair: the largest number of foreign and Indian publishers representing 733 leading publishing houses from all over the world participated. Nearly 60,000 books were on display, arranged in nine large halls – verily an Alladin's cave for book lovers.

However, some of the records broken were of a more dubious nature. Despite a multi-media publicity blitz, it was painfully clear that in the course of those 10 days, just over 2.5 lakh people condescended to visit the fair. In sharp contrast, the recently concluded Auto Expo '86 in the capital attracted more than 5 lakh visitors. Not surprisingly in terms of sales the World Book Fair was a write-off with the ragged sales primarily of wrapping paper, posters, greeting cards and similar trivia. Sitting pretty over the sluggish book sales were the 'remainder merchants' selling bilge in bulk.

LOW MORALE

Even in the area of business transactions it is difficult to believe that any great volume of business took place. Unlike the Frankfurt or London book fairs where the basic thrust is on the sale of rights either in the original or for translations, very few forthcoming publications from the pick of the world's publishers were in evidence at the fair. It is therefore not difficult to appreciate why the morale of Indian book publishers has descended to an all-time low.

Yet despite the paucity of statistics on the Indian book publishing industry, its size and reach is by no means insignificant. In fiscal 1983-84, India ranked eighth in terms of world book production and third in terms of the number of English titles published. Although the number of titles published every year varies, the total output of the industry has hovered around 17,000 for the period 1980-84. In 1980-81, 17,158 titles were published, in 1981-82 the number went down to 16,798 dropping further to 16,650 by 1983-84. This is in sharp contrast to the mid-seventies when over 20,000 titles were produced every year.

In terms of languages, English continues to hold the fort, claiming nearly 40% of the titles published while Hindi accounts for around 15% and Bengali and Tamil around 6%. Thus only 30% of the titles published annually are in the remaining 10 languages in which books are published in India. Given that hardly 2% of the population is conversant with English, the anomalies of the business are in sharp evidence.

Annual book titles: how India compares

	1974	1975	1976
FRG	48,034	40,616	44,477
Spain	24,085	23,527	24,584
USA	81,023	85,287	84,542
France	26,247	28,425	29,371
UK	32,133	35,526	34,340
USSR	N.A.	78,697	84,304
Brazil	9,948	12,296	N.A.
India	17,600	16,192	21,957

Latest available statistics
Source: BusinessWorld compilation

But though the number of titles published annually in India is quite large, and the Indian book publishing industry itself is perhaps the largest in the third world, in per capita terms figures are significantly below world levels. While the world average was nearly 200 titles per million population (1980), in India the corresponding figure is only 25. In fact, the total number of books printed per million people in India is disappointingly low. The number of pages printed per person is only 32 per annum or the equivalent of one pamphlet per individual as Philip Altbach points out in his book *Publishing in India: An Analysis*. Comparitive figures for the industrialised countries are as high as 2,000 pages per person per annum.

This stagnation of production has had one additional fallout – the industry continues to be characterised by the existence of a large number of small

publishers. According to Asoke Ghosh (44), chairman and managing director of Prentice Hall and currently president of the Federation of Indian Publishers, there are over 12,000 publishers of all sorts including author-publishers and governmental and institutional agencies operating within the country currently. "The majority of these publishing houses are small firms although there are a few medium-sized publishers concentrated in the four metros, with New Delhi undoubtedly the centre of the book trade," says Ghosh.

However, this figure appears to be greatly exaggerated as multi-lingual publishers are counted twice over. Therefore after making all necessary adjustments it would appear that there were about 6,000-7,000 publishers in 1972, not more than 3,000 of whom were 'active,' the yardstick being the publication of more than five titles per year. However, this situation continues to persist even today as confirmed by Tejeshwar Singh, managing director of Sage Publications writing in *Publishing in the Third World* (1985) (editor: Philip Altbach).

EXTREMELY CHARY

Perhaps one of the knottiest problems attendant upon assessing the financial standing of the indigenous publishing industry is that of ascertaining its sales turnover,let alone profitability. As the great majority of the firms are closely held, being either sole proprietory concerns or partnership firms, they are extremely chary about revealing such figures. As Narendra Kumar (46), managing director of Vikas Publishing House Pvt. Ltd. and now the doyen of Indian publishing exclaims, "This industry has not grown beyond the cottage sector. It is therefore virtually impossible to get any reliable estimates for the industry as a whole, given the absence of any statutory provisions forcing them to divulge their performance statistics. As a rough approximation however, I would say that the turnover of the industry is around Rs. 100 crores with imports accounting for at least 25%."

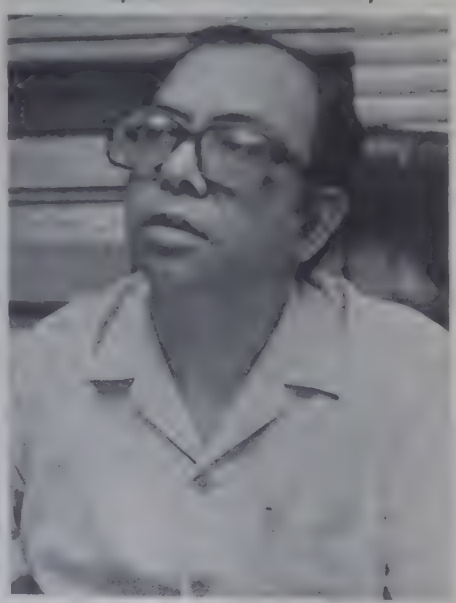
Independent estimates however indicate that the industry's turnover has been stagnating at around Rs. 80 crores for the last few years. In comparison, the countries of the developed world record turnovers which dwarf the indigenous effort. For example, in the US, the book publishing industry's annual sales turnover was estimated at US $5.4 billion (Rs. 6,480 crores) while in Japan it was estimated at $4 billion (Rs. 4,800 crores) in 1985.

With such a low turnover by such a multitude of firms, the average size of the Indian publishing house is far too small to escape the consequences of under-capitalisation. In this context, a recent (1985) study by the National Council of Applied Economic Research (NCAER) of the indigenous book publishing industry is illuminating. Based on a detailed survey of 185 units, the author Sitesh Aloke reports that the average annual sales turnover of his sample was around Rs. 5.96 lakhs per unit. However, while small publishers recorded annual sales turnovers of just around Rs. 1.58 lakhs per unit, the medium and large ones recorded a much higher average annual turnover of Rs. 13.57 lakhs per unit.

In terms of profitability this study reports that most publishers were barely breaking even. Even those reporting profits said that they earned only around Rs. 50,000 per annum — Rs. 25,000 in the case of small units and Rs. 1.08 lakhs per unit in the medium-sized and large publishing firms. As Narendra Kumar emphatically states, "We are not in this business for the money. We could get far more returns merely by investing our capital in post office savings deposits. We continue, nevertheless, to remain in this business because of our sheer love of books."

Not surprisingly the vast majority of book publishing firms have very small capital bases. According to the NCAER study, as many as 51.5% of the firms studied were capitalised with less than Rs. 10,000! Even in the case of the 51.5% which had invested more than Rs. 1 lakh, many rose to this larger capital category by virtue of ownership of printing presses, only part of which was used for their book publishing endeavours.

Ghosh: capital-intensive industry





Kumar: cottage sector status

INADEQUATE SUPPORT

One of the primary causes of this chronic under-capitalisation which does not allow book publishing firms to publish as many titles as are necessary to render an operation viable, is the lack of adequate financial support from commercial banks. Comments Asoke Ghosh (quoted earlier): "You must understand that this is an extremely capital-intensive industry. Every title that we publish has the same amount of working capital involved in it. What is happening now is that we buy all our inputs like paper and print on a cash basis. Yet, we have to sell our titles on credit to the wholesale trade which never pays up in less than 180 days."

This peculiar nature of operations is necessitated by RBI stipulations governing bank credit which permit the advance of loans against paper as collateral but not against printed books. There is therefore a clear case for the grant of funds to publishers at concessional rates of interest, either through normal commercial banking channels or via a National Book Finance Corporation functioning in the same manner as the National Film Development Corporation. The creation of such a funding corporation for the book publishing trade would go a long way in relieving the pressure on margins of increasing costs of production.

Typically, book publishing sources estimate the costs of production at around 25% of the sale price of a book. "If you add royalties of 10%-15% as well as overhead costs of 20% it all adds up to about 55% of our selling price.

Trade discounts range between 30% and 35% as competition intensifies," says Asoke Ghosh. Thus the usual profit that a publisher can expect on a title is barely 10% — a wafer-thin margin.

Compounding this low profitability problem of book publishers is the recent phenomenon of a sharp increase in the unit costs of production. Paper prices for example which till 1977 were around Rs. 3.75 per kg have now shot up to between Rs. 14-16 per kg — an astounding increase of over 400%. Book publishers insist that paper prices in India are the highest in the world. Despite the promulgation of the Paper Production Control Order in 1974, making it obligatory for paper mills to manufacture white printing paper to the extent of 30% of their licensed production capacity, publishing industry spokesmen allege that this rule has been observed more in the breach.

Indeed, supplies from the mills have been so irregular, erratic and uncertain that most publishers confess that they often resort to open market purchases of printing paper to meet their commitments. In this context Ghosh comments: "The Paper Control Order should be strictly implemented. In addition there is a strong case for the import of 20,000 tonnes of printing paper annually to stabilise prices. Moreover, I think it's high time that publishers are given newsprint for printing books."

INTENSIFIED SQUEEZE

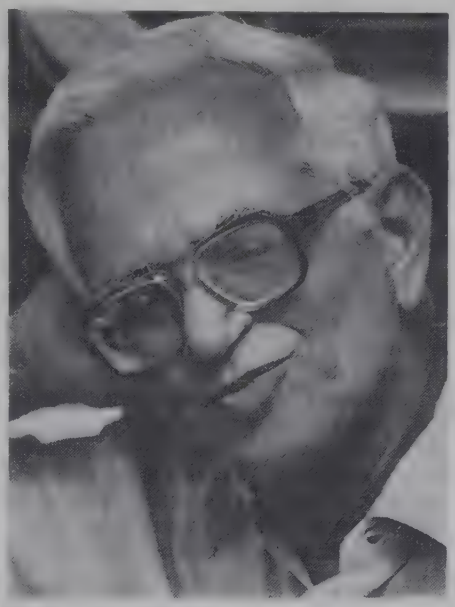
In addition, as both printing and overhead costs rise rapidly, the squeeze has intensified particularly as the average print run in India of a title is minuscule by international standards. As a publishing executive who prefers to remain anonymous explains, "The average print run here in India is only around 5,000. Actually the norm is a run of just 1,000-2,000. The economies of scale so vital in this business are conspicuous by their absence in the Indian book publishing industry."

Admittedly the market for books is narrow, if understood in an absolute sense. After all, with a 40% literacy rate in the country, by definition there are only 280,000,000 people who can read. This too is not saying very much as literacy according to the census definition implies anyone who can read and write his or her own name. This issue is made even more complex by the existent linguistic pluralism in Indian society.

Nonetheless, old timers of the industry such as Samuel Israel (65), who have spent a lifetime in the industry are not persuaded. "I don't think that books are difficult to sell *per se*. I think the market is big enough to sustain a fairly dynamic publishing industry. This is particularly true if one looks at the regional language publishing scene where one keeps hearing of the tremendous strides that are being made," opines Israel.

This view is corroborated by the well-known author and journalist Khushwant Singh who says, "Unfortunately we have never had a history of reading in our society. Despite this I think the publishing industry, particularly in certain segments of the market has been doing very well. I don't see any cause for any undue optimism or pessimism either."

In the light of such pragmatism amidst the general gloom in the book publishing industry, it would be fair to conclude that government policy is to blame for stunting the natural growth of the industry. A well-balanced book publishing industry requires a number of prerequisites for its orderly growth. Typically, the book publishing firm requires a product mix of school texts, general and scholarly books, mass market fiction, serious fiction and art books. These elements co-exist in a delicate balance, with the profits from school texts often subsidising the production of uneconomical scholarly and art books, or mass market fiction subsidising the publication of, say, poetry.



Israel: big market

UPSET APPLECART

Consequently, the government monopoly of the production and sale of school textbooks ever since 1961 when the National Council of Education Research & Training (NCERT) was set up has completely upset the applecart of private publishers. As in any other country in the world, educational publishing is the tail that wags the dog, in a manner of speaking. In the US for example, 30% of all books sold by a typical publishing firm are school and college texts and an additional 10% are purchased by school and college libraries.

Given the national priority of eliminating illiteracy, educational publishing is a rich mine to tap. Book publishing sources estimate that nearly 1,508 million copies of textbooks are required annually to cater to the nation's 120 million school-going children as well as to the 5 million students in the country's 130 universities and 5,000 colleges. Comments Narendra Kumar: "In financial terms this means at least a Rs. 100 crore per annum business. Although the majority of publishers in this field are already producing supplementary, explanatory or competitive texts, it is only the handful of private schools to which they can sell their books."

The major market comprising bulk purchases by government schools has been closed to the private sector with the established practice being for the NCERT to develop model textbooks which are then adapted and published by state level textbook boards. As Kumar puts it, "The result has been a virtual nationalisation of the school-level texts business with unfortunate consequences for book publishing firms."

While the official explanation for this policy is that the educational matters are too crucial to allow a free hand to the private sector, allegedly characterised by poor quality books and unethical business practices, it can scarcely be contended that state monopoly of the school texts publishing business is satisfactory. Narendra Kumar is vitriolic in his criticism of the status quo: "The first educational and developmental influence that a child is exposed to is a school book. The sheer monotony and poor presentation of NCERT texts has probably done more to kill the reading habit in children than any other single factor. I also have grave ideological reservations about state domination in this field."

SUBSTANTIAL BUSINESS

Well aware that the end of the existing governmental monopoly of the school texts publishing business would offer them a steady and substantial volume of business, the Federation of Indian Publishers has been fighting for a fair chance to supply books to this segment of the market. As Asoke Ghosh reiterates, "We are willing to abide by any parameters such as the standard syl-



Shri D N Ghosh, Chairman

Chairman's Speech
at Thirty-first Annual General Meeting of State Bank of India held on 24th April, 1986 at Lucknow.

Consolidate for New Challenges

Ladies and Gentlemen,

It gives me great pleasure to welcome you to the Thirty-first Annual General Meeting of the State Bank of India.

The performance of the Bank has been appropriately brought out in the Annual Report before you. What needs special mention is the increase in the paid-up share capital of the Bank to Rs. 50 crores and increase in the published reserves to Rs. 477 crores, working up to a total of Rs. 527 crores. This is the first time, since the inception of the State Bank of India, that the paid-up capital of the Bank has been increased

As in the previous year, we have maintained the total dividend at Rs. 25 per share for the year 1985, consisting of an interim dividend of Rs. 12 per share and the final dividend of Rs. 13. A pro rata dividend of Rs. 4.73 per share has also been declared for the new shares issued during 1985

During the year 1985, there were a few changes in the Central Board and the Local Boards. In January 1985, Dr. Kissen Kanungo and Shri Dharani Dhar Das joined the Central Board on their appointment as Presidents of Bhubaneswar and Guwahati Local Boards respectively. Shri S.M. Kelkar, Additional Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) was nominated in the place of Shri V.K. Dar. Sarvashri R.N. Kolhe and A.V. Tumane were appointed as members of the Bombay Local Board and Dr. T.S. Papola was appointed as member of the Lucknow Local Board during the year. I take this opportunity to welcome the new members on the Central Board and the Local Boards.

Shri D.K. Sharma, member of our Patna Local Board vacated his seat on his election to the Bihar Legislature and Shri Dharani Dhar Das, President of the Guwahati Local Board resigned his seat during the year. I take this opportunity of placing on record our high appreciation of the services rendered by Sarvashri V.K. Dar, D.K. Sharma and Dharani Dhar Das.

The year also witnessed the sad demise of Shri V.M. Bhide, who was Director on the Central Board. Shri Bhide was a member of the Central Board from December 1970 to July 1973 and also from February 1978 to May 1985. Shri Bhide had always brought to bear on the deliberations of the Board, his rich experience of administration, finance and banking

Shri A.B. Tandon, Vice-President of our Lucknow Local Board passed away in May 1985 I place on record our sorrow and our appreciation of the able guidance and direction rendered by late Sarvashri V.M. Bhide and A.B. Tandon.

In the middle of 1985, your Bank completed 30 years of its existence in its new incarnation as the State Bank of India, the successor to the Imperial Bank of India. Your Bank has many achievements to its credit The past always spells a charm over us but no institution can afford to rest on its past laurels. Let me, therefore, leave the past behind and set the scene by describing to you the distinctive thrust areas for facing the challenges of the present and of the future, with our feet firmly on the ground and drawing the lessons from the past.

This year has been one of reasonably good profits But lest it should generate any sense of complacency, I would strike a note of caution about the future trend of profitability Profitability continues to be under considerable strain and for the next few years the banking industry will have to grapple with a crunch in profitability

As you know, the banking system functions within a structure of administered rates of interest on deposits and advances, the deposit rates linked with diverse maturity periods and advance rates with different categories of borrowers. It is the weighted average of the advance rates which is of crucial relevance to us. With the emphasis on credit to preferred sectors, the mix of advances has been shifting in favour of borrowers who pay lower interest rates. Also what is becoming increasingly a major source of concern is the decline in the effective average earnings on some of our high interest group of advances. The trend has been continuing for some time

Your Bank has a sizeable portfolio of virtually all traditional industrial groups and some of these are beset with problems connected with technological upgrading, marketing constraints and managerial deficiencies. We cannot wish away their problems and are deeply involved with the fluctuating fortunes of these industries, many units of which have become sick. The rehabilitation packages, wherever they are proposed, involve a substantial sacrifice in earnings and the burden of carrying these units will become heavier in the years to come

It is hoped that the healthy but compulsive influence of the current liberalisation measures will force these units to come out of their sheltered atmosphere, increase their competitiveness and the quality of their products. The process of transition is going to be painful. Each agency involved in this process has to pay a price. The banking system has been paying the price in reduced earnings and larger loss provisions, and, the lower the earnings of the banking system, the weaker its capability to make adequate provisions.

I strike a note of concern but certainly not a note of pessimism. With the industrial growth visualised in the Seventh Five Year Plan, supported by an appropriate mix of macro-economic industrial and fiscal policies, the pace and pattern of growth will change. Structural adjustments are already taking place with newer and more sophisticated industries coming up all over. Let us hope that the banking system is discriminating enough to bring on its books good quality assets and improve their earning ratio.

I use the expression "discriminating" advisedly. Let us not make light of the fact that the sheltered market atmosphere in which our industrial borrowers have flourished for a long time has dulled their judgement and their alertness. As our economy is progressively opening up and as licensing and regulatory provisions are being gradually relaxed, the responsibility of the financing agencies is qualitatively changing. We have to develop an informed understanding of the types of industries we finance. In particular, we have to enrich and sharpen our skills for evaluation of the new sophisticated industries through the underpinning of technical, marketing and costing inputs. We have to adapt our methodology of monitoring the changing environment and help develop a type of customer-banker relationship that strikes a judicious balance between entrepreneurial drive and public responsibility of financial institutions. Let me assure you at this stage that your Bank is cognisant of its crucial role as the premier banking institution in the country and has already initiated several steps for adjusting itself to the new environmental forces. We are working towards developing a culture which ensures quality and integrity of credit.

Our concern over the likely threat to the generation of adequate surplus from the commercial and industrial segments arises from our deep sense of commitment to a progressive enlargement of our contribution to rural development and the alleviation of mass poverty. What we have done so far has been outlined in detail in the Annual Report. The number of beneficiaries assisted by the Bank under the poverty alleviation programme has gone up by about two million in the Sixth Five Year Plan. It is expected to go up by another two million by the end of the Seventh Five Year Plan. The order of funds provided by the banking system with complementary subsidies from the budgetary resources is also expected to increase by about Rs. 4,000 crores. The Seventh Plan has placed on us a heavy responsibility which we cannot shirk. The nation expects us to provide a deeper thrust in this area with increasing effectiveness.

What is a matter of concern — and will continue to be so in the coming years — is that the pace of lending in this area, coming broadly under the umbrella of priority sector lending, may weaken due to the continuing reduction in the availability of surplus from the commercial and industrial segments. Cross subsidisation within the given structure of administered rates is reaching its limits and this has to be squarely faced to ensure the essential soundness of the banking system.

The earmarking of resources for this sector, given its priority, has to be our major commitment in the years to come. But it will certainly not be an easy task for the banking system. Given the competitive attractiveness of the different financial instruments, the rate of deposit accretion may not be as buoyant as in the past. Our lendings to the priority sectors are already at a high level and additional lending would possibly get limited to the incremental proportion of the additional deposits

that the system can gather and, more importantly, to the extent of recycling of funds through recoveries of earlier loans.

The order of recoveries has to be at a much higher level than in the earlier years, but this cannot be considered independently of the rural credit delivery system, which I am taking to include the whole process of presanction scrutiny, follow-up and recovery from millions of small borrowers. A bank is only one of the many agencies involved in the poverty alleviation programmes, and we have to be conscious of our responsibilities as well as limitations. Your Bank has taken several steps during the past few years to improve the quality of its performance in this area. There has been some improvement, but there are obvious limitations on the part of any Bank to take all the supportive measures which are necessary to improve recovery.

Our studies, as also a number of others by reputed national institutions, have clearly underlined the need for a rational choice of productive activities to be supported, an appraisal of the viability of such activities in a small market area and the choice of beneficiaries coming within the requisite income limit. All this cannot but take time. However, if we are to ensure productive use of funds lent, this process has to be gone through in the interest of the beneficiaries, otherwise, they will not find it easy to repay the loans in time. We are happy that the Reserve Bank of India has set up a high level standing committee to look into the entire institutional arrangements relating to the rural credit system, so that a rational delivery system, which ensures proper utilisation of such loans and their recovery, can be evolved. This could not have come sooner.

I hope what I have dwelt on will be seen in the correct perspective for the simple reason that we in the State Bank of India can, without being immodest, claim to have pioneered several innovative schemes in the priority sector lending areas. Indeed, wherever required we have stretched our resources to the utmost in taking lending to the farthest reaches of the country, to the most difficult terrains and to the most poverty-stricken tribal areas. Our size and resources do give us the wherewithal to enable us to do so and we would continue to do so. This, I feel, does not need any reiteration or exhortation.

In the perspective of what I have said so far and our current perception of our role in the economy, poised as it is for rapid growth and structural adjustments, we have decided that for the next two years, 1986 and 1987, we shall have consolidation as our basic corporate policy. Essentially, our corporate objective and policy of consolidation aim at achieving excellence in the basics of banking: the management of the fundamentals of profitability, balance sheet strength, liquidity and quality of assets. Our task of consolidation has been made somewhat easier by the very imaginative branch expansion policy which the Reserve Bank of India has laid down.

Let me hasten to add that consolidation has no negative connotation about it. It does not mean that we shall withdraw into a shell. We have to be responsive to the environment of an economy which is striving to come out of its sheltered existence. If we are to serve the needs of the economy which has to be modern and forward looking, your Bank cannot but be modern and forward looking, vibrant and agile. The Bank which is committed to the growing needs of such an economy has to be founded on a solid bedrock of profitability and an imaginative programme for the development of human resources. We have certainly to be more innovative but to be more innovative does not mean that we have to be less prudent as bankers.

As an integral part of our policy of consolidation, we are implementing a series of steps during the coming months with the primary objective of making 1986, the Year of the Customer, as the Finance Minister has put it. What the Finance Minister has stressed brings banking to its basics; it is the customer and the customer alone, whoever and wherever he may be, whether a small depositor across the counter, a poor beneficiary in the rural sector, a small scale industrialist in the semi-urban area or a large corporate borrower, has to be satisfactorily served with politeness under all circumstances.

I talked of the need for improved profitability in the beginning and reiterate here that the squeeze on profits will continue. There can be marginal adjustments in the structure of administered rates but in the given context and the given environment of the banking system in our country, I see little prospect of the structure being dismantled. Nor would I advocate such dismantling. What we have to aim at is higher productivity within our system. For, it is only through higher productivity that we can continue to fulfil the role expected of us. As often in life, principles are not difficult to define. What counts is the perseverance in implementation and swiftness in action.

This is not the occasion to burden you with the details of the series of steps which your Bank is taking and is contemplating to take to fulfil the current expectations of the people and the Government. Some perceptible improvements have already taken place in attending to the routine matters which, more often that not, are sources of justifiable irritation to various customer groups of the Bank. These are receiving our sustained attention and we give you the pledge that we would not slacken our efforts in this regard. For the beneficiaries in the rural sector, particularly to bring tangible economic benefits to the poorest sections of the rural population, we will continue with our efforts to evolve an effective and viable rural credit delivery system. At the same time, we would not lose sight of our responsibility to the customers in the corporate sector for the services they need from the financial market in the highly competitive industrial environment in which they function. We have thought it our duty, as the premier financial institution, to gear ourselves to meet their demands for broadbased financial services through the medium of a separate merchant banking subsidiary. It is the intention of your Bank to set it up, as soon as the formalities are completed.

As in the case of any institution, the strength of the Bank is its people. Our training system is of acknowledged excellence but in the changing environmental context, we cannot rest content only with the training in the basics of banking, in the restricted sense of the term. Basics are important, particularly in a bank which is called upon to handle different types of business, ranging from granting a few hundred rupee loan to a tribal farmer to the syndication of a foreign currency loan of millions of dollars. We are expanding and strengthening our training facilities in all functional areas for persons at different levels of hierarchy and in crucial stages of their career. We have also taken on hand the task of enlarging the scope and content of our training programmes as banking is getting more and more enmeshed with the dynamics of shifting environmental needs. Clearly, development of human resources has to be and is our foremost priority.

Also, as a matter of high priority, we are laying particular emphasis on development and management of an information system appropriately designed through application of technological inputs relevant to our context. Banking is essentially information business; the manner, speed and form in which we gather, assemble and disseminate information is crucial. This will decide how we succeed in organising for the future. In a world where the only constant is the rapid rate of change, we cannot let ourselves fall behind. We are fully alive to this responsibility and are doing the needful.

Our domestic base, strong, sound and stable as it is, traces its roots to 1806. In the international arena, however, we are relatively a new entrant and our expansion took place mainly during the last 10 years. Our growth may not have been spectacular but is certainly commendable. We have 41 offices in 27 countries. We are learning to live in an economic and financial market place which is progressively getting integrated, thanks to the breathtaking developments in the field of technology of information and communication. With our presence in the major international and financial market centres, we are in a position to respond to the growing sophistication of the service requirements of our clients who are modernising their lines of business and seizing opportunities to enter new ones.

I have placed before you our current concerns as well as the emerging opportunities. We are confident that, with constructive policy responses, we are in a position to enhance and sustain our potential and prospects for productivity and growth. What gives us confidence is the sense of commitment of our people to this great institution, their esprit de corps and their motivation. Let us not forget the persons who man the difficult posts spread over 7,432 offices in India, 41 abroad and, taking the Group as a whole, 10,853 all over the country. It is these men who are the foundation of our great institution. I am sure, you shareholders will join me in paying deserving compliments to all our people, including those who are undertaking difficult jobs in difficult terrains in the remotest frontiers of our country.

Thank you.

Highlights
State Bank of India in 1985

	(in crores)
Deposits and other Accounts	Rs. 23,549
Advances (including Bills)	Rs. 15,310
to Agriculture	Rs. 2,504
to Small Industries	Rs. 2,063
to Small Business	Rs. 922
under DIR Scheme	Rs. 144
Net Profit	Rs. 32
Number of Offices (including Overseas Offices)	7,473
Number of Employees	2,01,935



State Bank

BusinessWorld
May 12—25, 1986

Indian publishing's success stories

They call him the Midas of Indian publishing. Despite the rich streaks of silver, Narendra Kumar, who promoted Vikas Publishing House in the late sixties, has lost little of his dynamism and ebullience. From a modest 29 titles in 1969, Vikas now publishes nearly 800 a year — a performance which has given Narendra Kumar and Vikas a legendary status in the Indian book publishing industry. In addition, Vikas Publishing has spawned three other book publishing units — Tarang Paperbacks, Vani Educational and Shakti Books. The last named — the first of its kind — is devoted solely to publishing a body of work, multidisciplinary in nature, on all aspects of issues relating to women.

Indeed, from being the master developer of hard-sell, which saw books like *The Judgement* and *Freedom at Midnight* break all records, Kumar has mellowed into a visionary, promoting concepts such as joint publishing ventures with other third world countries, with just one aim: to put Indian publishing on the world map. Whether he succeeds or not, one thing is clear: Vikas has already arrived domestically.

In stark contrast to this upbeat venture, but creating similar waves is Pustak Mahal. Promoted in 1936, the firm grew to its present stature only after 1976. Headed today by the modest Ram Avtar Gupta, this publishing house is reckoned to be a record moneyspinner of all times. Its success began with a 60-day English language learning course that has proved so popular that it is now available in 10 Indian languages. And now, the firm has gone far beyond teaching just English.

Tremendous support. As with Vikas, it is the tremendous amount of advertising support on television, radio and the print media for its books that has allowed Pustak Mahal to reap such high dividends. Targeted squarely at individuals, its publications are available everywhere — bus stations, railway platforms, even *paan* shops — and consist mainly of adaptations of imported reference books and fiction. With even a Hindi version of the *Guinness Book of Records* to his credit, Gupta, by reprinting and translating foreign books, has hit upon a foolproof success formula.

Yet another wholly indigenous publishing effort that has made good is that of Mohan Gupta who heads Rajkamal Paperbacks. Cheap, yet offering the pick of Hindi literary works, this firm proves that there are readers of serious bent whose only constraint is purchasing power. Today, Rajkamal releases a set of 12 paperbacks bi-monthly and most of the titles from the first two sets released in November 1983 are already out of print. This despite the common opinion that the market for Hindi books is contracting and survival is likely to be a major problem in future for Hindi publishers.

These three examples should suffice to show that the face of the Indian book publishing industry is slowly changing and that the transformation is taking many forms. One common thread that appears to run through the new wave book publishing firms is a definitive focus in their efforts. Whether it is Kali for Women established by Urvashi Butalia as a feminist press, Clearing House which specialises in poetry, or the Duncans-backed Seagull Books which primarily publishes plays or books on theatre, these innovative efforts are concentrated in a defined area which has been left untouched by the run-of-the-mill book publisher. Specialisation of this kind offers the added advantage of the inculcation of quality, the bane of Indian book publishing efforts thus far.

Indeed, even in the case of the traditional happy hunting ground of publishers, educational publishing, those who have adhered to rigorous quality standards have succeeded in making more than mere ends meet. Soon after 1947, the big four of Indian publishing in this field who ruled the roost till NCERT came into the picture were Blackie's, Longman, Macmillan and Oxford University Press (OUP). Came the nationalisation of the trade school texts and Blackie's wound up its operations, while Longman (now Orient Longman) has struggled manfully to subsist upon the patronage of private schools. Macmillan India which is reported to be going into the business of educational software never fully recovered its lost stature.

Crucial role. If OUP alone has done well publishing around 100 new titles every year, most of which are academic works, its insistence on the cream of such writing which permits it to make forays into overseas markets is mainly responsible. This yields yet another vital clue to the crucial role that the overseas publishing industry plays in the success of Indian publishers specialising in books written in English. For example, under the PL 480 book programme, a number of US publishers set up companies in India. Among them were Prentice Hall, Wiley Eastern, Tata McGraw Hill and Van Nostrand. The fillip they received by making available cheap reprints of American textbooks has allowed them the luxury of never looking back.

Although these publishers, particularly Prentice Hall and Tata McGraw Hill, do not serve merely as reprint houses today but also play an active role in publishing texts written by indigenous writers for professional courses as well, they have still managed to remain among the top 20 Indian publishers. Prentice Hall's 3E series for example, consists of about 350 reprints and about 100 Indian titles, focusing on science and technology, the computer sciences and management books. With the recent acquisition by Prentice Hall (US) of Simon & Schuster, it remains to be seen if a new list of non-educational books is likely to be developed by its Indian affiliate.

Quite clearly, the quick money generated by importing books acts as a shot in the arm for most Indian publishers allowing them to flex their muscles if they so choose. The classic example of this is of course Rupa & Co. Besides representing Fontana, Foulsham, Merlin and Pan, Rupa is also the wholesale stockist for a host of British, Indian and Japanese book publishing firms.

Shrewd management. The brainchild of D. Mehra, Rupa is best known as the largest wholesaler of Penguin books. The Penguin account contributes an estimated 25% of the firm's annual sales turnover. What is not so well known is that right from 1960 Rupa has been publishing its own titles both in Bengali and English, most of which have done well. To date Rupa has published over 150 original titles as well as reprints of over 700 titles. By shrewd management of its book publishing and distribution businesses, and imports, Rupa & Co. is a trail blazer within the old order of publishing.

Like Rupa & Co., the name Rajpal & Sons conjures up a list of firsts: the first to publish paperbacks in Hindi, the first to set up a book club and the first to publish English language fiction written

by Indian authors. With a production record of over 100 new titles every year, Rajpal has also been involved in translating the best of Indian writing in the regional languages into English through a serious translation programme — an area which other publishers are now beginning to explore.

Not far behind is the legendary Shyam Lal Gupta, managing director of S. Chand & Co., who started his career in 1937 by publishing just two titles in that year. After considerable success in the educational books publishing field, S. Chand has today diversified into the much neglected segment of children's books. Publishing as many as 750 titles a year, which are either new titles, reprints or new editions despite its conservative image, this publishing house too is here to stay.

Therefore it is somewhat surprising that foreign book publishers tend to get more excited by the rich promise of the domestic book market, a fact the homebrewed variety of publishers are loath to admit. Considerable cynicism, tinged with grudging admiration, pervades industry's response to the entry of Penguin Books India Ltd. This low overheads operation seeks to develop a list of around 24 books a year in English, initially consisting of both fiction and nonfiction in the ratio of around 40:60. While at least 20% of the fiction list will come from translations from the Indian language books, the aim of the company's chief editor David Davidar is obviously to discover fresh talent and market it around the world.

"I want to sell my books by my lists— to create a sense of anticipation among readers forcing them to wait for our lists. Properly executed, I don't think we will have too many problems," says Davidar, who admits that Penguin Books is entering the indigenous market with its eyes open. For, it is inconceivable that the kind of fiction or nonfiction that Davidar is talking about is the "pulp" variety. Perhaps the very fact that not a single publishing firm has gone into the production of literary works of standing, despite imports and reprints of such works doing fairly well, is reason enough for this brave effort.

After years of the Indian readers' penchant for reading a work by a countryman only after it has been endorsed by a foreign audience and a foreign publisher, one hopes that this trend too will be neutralised by the winds of change blowing across the indigenous book publishing industry.

labii and rigorous quality of textbooks. Let the government impose price controls if necessary. But there must be competition."

Intriguingly, while there is much ado about the new education policy, not a word has been said in it about the role that books have to play. Comments O.P. Ghai, chairman of the Delhi Sterling Publishers Pvt. Ltd., "I am sorry to say that after reading the policy document from cover to cover, I am disappointed that there is no mention in it of... the book. It is conspicuous by its absence. It looks as if there has been a deliberate attempt on the part of bureaucrats to belittle the importance of the book in the process of education."

That the business of educational publishing does inject a healthy amount of finance into the book publishing industry as a whole while encouraging the growth of strong and diversified publishing firms is borne out by the experience of publishers who have ventured into the realm of higher education. "In the first place the wealth of talent in our universities ensures that their writings command a readership not just in India, but in overseas markets as well. Secondly, even in the case of textbooks, if academics working on the frontiers of various disciplines can be signed up, there is a lucrative market," comments Ravi Dayal (48), editor-in-chief of Oxford University Press (OUP) in India, an institution which has made a mark for itself in this field.

In fact, a quick break-up reveals that the most successful publishing houses in this country are all in this segment of the market. OUP, Prentice Hall, Orient Longman, Vikas and Macmillan are firms which publish academic works and have built themselves relatively sound financial bases in the process.

Yet, even these firms have their share of the sea of troubles which is engulfing the book publishing industry. As the bulk of their marketing is concentrated on institutional sales to universities and colleges — the school sector is barred to them as well — a factor of crucial importance for them is the quantum of library grants sanctioned by the University Grants Commission (UGC) for this purpose.

In recent times, government outlays for education have been steadily falling, particularly in the case of higher education and amazingly UGC grants have remained stagnant at the 1975 level. When grants are held up for example, the book trade is badly hit for it cannot shoulder the cost of maintaining inventories of expensive titles. Libraries also play foul asking for heavy discounts, with quantity rather than quality being the criterion for purchases which are typically made at the end of the fiscal year. Even in the case of standard college texts the proliferation of a number of coaching institutes publishing examination-oriented 'notes' has begun to tell on book publishing firms' sales.

SHRINKING MARKET

Against this backdrop of ham-fisted governmental intervention in the educational publishing business, it is hardly surprising that at the other end of the spectrum, the market for non-educational books is also shrinking fast.

Linguistic book publishing in India

Language	1980-81	Percentage
Assamese	196	1.14
Bengali	1,046	6. 1
English	7,655	44.61
Gujarathi	757	4.41
Hindi	2,225	12.97
Kannada	500	2.91
Malayalam	757	4.41
Marathi	1,361	7.93
Oriya	445	2.59
Punjabi	273	1.80
Sanskrit	43	0.25
Tamil	1,135	6.61
Telugu	389	2.27
Urdu	286	1.67
Others	55	0.32
	17,158	100

However, there are exceptions to this rule. There is a flourishing market for the intelligently written, profusely illustrated coffee table books designed for institutional purchases by state governments, foreign embassies, cultural organisations and tourists. But the individual reader-purchaser is not considered a part of the target audience and hence prices are exorbitant.

While a number of specialised books such as the current crop of management books are also reaping windfall profits, it must not be forgotten that nearly all of them are published abroad. Indeed, the bulk of the market for fiction, whether pulp or serious and general books, has been captured by foreign book publishers.

BusinessWorld
May 12—25 1986

According to government stipulations, not more than 1,000 copies of a particular title can be imported in a single calendar year. It is common knowledge that this regulation is widely ignored. Most book publishing firms also supplement their meagre book publishing incomes by acting as distributors for foreign publishers. And since most indigenous publishing firms — with a few exceptions such as Hind Pocket Books and Jaico Publishers — run shy of the indigenous brand of English fiction, it has been open house for American and British publishers selling foreign titles at prices which by indigenous standards of living are exhorbitant.

In this connection, Zamil Ansari (35), chief marketing manager of Penguin Books in India comments, "The prices of imported paperbacks have gone up in recent times because manufacturing costs have risen. In that sense you are importing another country's inflation. However, if you compare the prices of Penguins with prices of domestically published books, you will find that the latter are no cheaper."



Dasgupta all the tools of marketing required to tap borderline readers

WEAKEST LINK

But though indigenous book publishers have learned to live with English language books imports, a particular grievance they harbour is about the dumping of 'remainders' brought into the country as waste paper and sold for a song. This phenomenon tends to further weaken the weakest link of the chain linking book publishers with the reader: the distribution network. With already thin margins further eroded by competition from remainders, there is a singular lack of advertising and promotional inputs on the part of publishers or distributors

Even the National Book Trust which was specifically set up by the Union government for this purpose has completely redefined its role, becoming a publisher itself. As D. Dasgupta deputy director (I&P) NBT points out, "As a marketing professional, I would say that without the proper identification of market segments and concentrated promotion using all the tools of modern marketing, it is virtually impossible to tap the borderline readership."

In the ultimate analysis it is obvious that the development of alternative strategies for ensuring the public's easy access to books *viz.* the growth of a strong library movement, the proliferation of book clubs and direct mail services are necessary prerequisites for restoring the health of the long-languishing book publishing industry. In addition the shackles of misguided policies which have imposed a financial strait-jacket inhibiting the natural growth of the industry, need to be cut loose.

It is a moot point whether the framers of the new education policy are aware that an ailing book publishing industry is incompatible with the free flow of information and debate, which is what education is all about. Indeed, the fundamental prerequisite of ushering in the new information age is an awareness that knowledge in future will be extensively used as a resource and that knowledge-based industries are likely to become backbone industries of the world economy. It is in this perspective that the tangle in which the book publishing industry finds itself urgently needs to be sorted out. The medium is no less important than the message.

Ansari: domestically produced books not cheaper



LETTER FROM TOKYO

CHARLES SMITH

Marcos' kickback

Japan's deep involvement in the economies of South-east Asian countries has a way of becoming an embarrassment when regimes change, and the exit of former president Ferdinand Marcos from the Philippines looks like being no exception.

According to documents seized from Marcos by US customs officials on his arrival in Hawaii in February, a number of Japanese trading and heavy engineering companies may have paid hundreds of millions of yen in "commissions" to Marcos or his close associates in order to win contracts under the Y400 billion (Rs. 2,700 crores) aid programme which Japan carried out in the Philippines between 1971 and the end of 1985.

Simple procedure. If such commissions were paid, it is likely that the companies concerned recouped themselves out of Japanese government aid funds by the simple procedure of including the costs of commission payments in their original tenders to the various Philippines government agencies which executed the projects.

A further, far more damaging, possibility is that some of the money paid by Japanese companies might have found its way back to Japan in the form of political contributions by Marcos to the funds of ruling Liberal Democratic Party (LDP) politicians. Any evidence of reverse payments of this kind would be certain to spark off a major political scandal in Japan, since the country's law on political fund-raising directly forbids acceptance of money from foreign sources.

Given official reluctance to bring the issue out into the open, it has been left to the media and to opposition parties to try to dig out as much of the truth as possible behind the allegations. Newspaper revelations about the details of individual Japanese companies' relations with the Marcos government have so far revealed very little. But a mission despatched to Manila by the Buddhist-oriented Komei (clean government) Party did succeed in unearthing an apparently authentic list of companies to which the Philippines government awarded contracts under the Japanese aid programme.

The list shows that some 30% of Y103.3 billion worth of project aid contracts awarded to Japanese companies between 1971 — when Japan started disbursing yen credits in their present form — and the end of 1984 were won by Toyo Corporation, a relatively unknown medium-sized trading company that describes itself as "specialising in import and export of electronics equipment."

Toyo's Manila-based subsidiary, P&N Corporation, also figured high on the Komei Party list, with contracts worth Y11.2 billion (Rs. 77 crores). Other companies named by the party were Sakai Heavy Industries, a specialist in road-paving equipment, with Y11.5 billion worth of aid-financed business, and Marubeni Corporation, Japan's fourth largest general trading company, with Y 8 billion in orders.

Officials at the Overseas Economic Cooperation Fund (OECF), the government entity which disburses yen credits, have stated that the Komei list of aid-financed contracts appears to be "roughly correct." But neither the OECF nor MITI — the ministry exercising ultimate control over the credits — admits to having recent data on the subject of commission payments.

What does appear to be the case is that Japanese companies continued to win a dominant share of contracts awarded by Manila under Japan's aid programme, even after Tokyo "untied" its aid in the late seventies. Precise figures on the destination of aid-financed contracts are not available for the 1971-85 period, but in one recent year,1984, nearly 90% of contracts financed by nominally untied Japanese yen credit loans appear to have been placed with Japanese companies.

Contract price. Under foreign exchange laws which remained in force until December 1980, the payment of commissions to overseas agents amounting to 10% or more of the value of a contract required case-by-case approval from MITI, while commissions valued at less than 10% of contract price had to be registered with a foreign exchange bank.

The new foreign exchange regulations have nothing to say on the subject of overseas commission payments which are, therefore, entirely legal so far as the letter of Japanese law is concerned. This does not alter the fact that the diversion of Japanese aid funds into the pockets of foreign leaders like Marcos could become embarrassing for Tokyo.

TURKEY

Commonality of interest

The six-day official state visit to India by the Turkish prime minister Turgut Ozal which concluded on 15th April, was a curtain raiser on bilateral relations between the two countries in more ways than one. Not only was this the first-ever visit to India by a Turkish prime minister but, more significantly, it paved the way for the establishment of an Indo-Turkish joint economic commission and the signing of civil aviation and cultural exchange agreements between them.

These tangible gains apart, Ozal's visit also had some intangible benefits, in that it helped set at rest some of the patent reservations which India has for long entertained about Turkey. As noted economic commentator Prem Shankar Jha, writing in *The Times of India* (7th April), observes, "India's impressions of Turkey consist of little more than a series of conditioned mental reflexes. Turkey is a friend of Pakistan. It is a NATO member and therefore heavily aligned with USA, whose postures and actions towards India have not always been friendly. In the last 25 years, it has, except for brief periods, been under authoritarian rule and there is an implicit belief that generals in Ankara and Islamabad must have a great deal to say to one another."

However, these misgivings, even if not fully allayed by the Ozal visit, were overshadowed by the strengthening of economic and business ties between the two countries. Addressing members of the Federation of Indian Chambers of Commerce and Industry (FICCI), consequent to the setting up of the Indo-Turkish Joint Business Council, Ozal made it clear that Indian businessmen can now look forward to more opportunities for carrying on trade and business with Turkey.

Radical break. Significantly, the new upswing in Indo-Turkish bilateral relations — particularly economic — has come at a time when both the countries, in a radical break with the past, are boldly experimenting with new economic liberalisation programmes. Turkey's recent history has been marred by authoritarian military rule and a sagging economy characterised by low productivity and high unemployment. However, ever since Ozal was elected to power in December 1983, he has charted a new path for Turkey's economic recovery. The

right-wing Anavatan Partisi (Motherland Party) government headed by him which is fully committed to a free market economy, has thus initiated far reaching structural economic reforms, which *inter alia* include greater government support to private industry, the decentralisation of the decision-making process and the reduction of state interference in industry — measures which are not unlike those with which the new Rajiv Gandhi administration is experimenting.

Particularly noteworthy is the ambitious privatisation programme being undertaken by the Ozal administration to restructure some of Turkey's ailing public sector units, infamous — like our own — for their low productivity and consequent negative profitability. In the past few months, three major turnkey consultancy contracts for fertiliser and cement plants in the country, apart from the aviation services now managed by the state-owned Turkish Airlines, have been awarded to overseas firms which will finalise the blueprints for their privatisation.

The urgency with which the Ozal government is restructuring its public sector enterprises — many of which were set up by Mustapha Kamal Ataturk in the thirties — has not a little to do with the fact that while 60% of Turkey's fixed investments are tied up in them, they account for a mere 35% of the GNP. Not surprisingly then, the country's on-going five year plan (1985-89) — which projects an annual average real increase in GNP of 6.3% per annum *cf.* India's Seventh Plan target of 5% per annum — has taken up as a priority task the question of the transfer of resources from the less productive public sector to more productive areas, most notably to the private manufacturing sector.

The economic liberalisation drive of the Ozal government has also been extended to Turkey's foreign trade through the relaxation of restrictions on the import of foreign capital and technology. Simultaneously, efforts are underway to enhance the competitiveness of the country's exports and also restructure its export trade, which is mainly confined to primary agricultural commodities. Already, there are over 100 joint manufacturing ventures operating in Turkey involving overseas firms and the Ozal government is committed to increased foreign participation in the country's industrial development which, as yet, is confined to core sector industries such as cement, fertilisers, textiles, etc.

Considerable deficit. Currently, Turkey's exports — primarily to developed industrial market economies which account for 47% of its total exports — comprise conventional items such as cotton, tobacco, olive oil, hazel nuts, dried figs, etc. The need for diversifying exports, especially through the induction of value-added items, is also underlined by the fact that Turkey has a considerable trade deficit, which stood at $3 billion (Rs. 3,600 crores) in 1983 (latest available statistics) when its aggregate export turnover was $5.7 billion (Rs. 6,840 crores).



Ozal: privatisation programme

Yet, despite the striking similarity between New Delhi and Ankara in their approach to economic reforms as underlined by their attempts to reduce state control over industry and speed up economic liberalisation, their current levels of economic development are noticeably different. With a per capita income of $1,100 (Rs. 13,200) per annum, Turkey is relatively far more developed than India which has a per capita annual income of a mere $240 (Rs. 2,880). Consequently, while Turkey with a population of 52 million has already entered the portals of the developed world, India's economic priorities are still largely centred around providing the basic necessities of life to the majority of its 750 million people.

On the political front, however, Turkey's problems though not dissimilar to those of India, are definitely more acute. Turkey's relations with its neighbours — Greece, Bulgaria and Cyprus — have been strained at the best of times. "With all three Turkey has unresolved disputes which are uncannily similar in origin to the problems that the nations of the (Indian) subcontinent inherited from the British on attaining their independence. As in the case of the Indian subcontinent, the problems are rooted in the break up of what was previously /one empire," says Jha, quoted earlier.

Particularly troublesome have been Turkey's relations with Greece over the Cyprus issue. Ever since Cyprus was given its independence in 1960, the Greek Cypriots, with the overt support of Greece, have tried to pressurise the Turkish Cypriot community to either accept Greek supremacy or flee the island. This led to the Turkish invasion of Cyprus in 1974, which further strained relations with Greece.

On its part Turkey too has been guilty of human rights violations, particularly with regard to its minority Greek and Bulgarian communities. It openly discriminates against Greeks who are not permitted to work freely in Turkey or marry Turkish citizens.

As far as Turkey's political relations with India are concerned, they are overshadowed by Turkey's close ties with Pakistan. "Our relations with Pakistan are very close. When I go to that country, I feel I am among my own people," Ozal told Jha in an exclusive interview in Ankara just prior to his departure for Islamabad and New Delhi.

Close ties. Yet another factor which is bound to keep Ankara and New Delhi out of each other's embrace is Ankara's close ties with the West. Turkey is not only an associate member of the European Economic Community and the president of the Organisation for Economic Cooperation and Development which is headquartered in Paris, but it is also a member of the North Atlantic Treaty Organisation — the powerful western military alliance.

However, these political differences need not stand in the way of strengthening economic ties between the two countries, as India's current economic relations with several western countries, including the US itself — India's largest trading partner — would testify. Indeed, given the great degree of commonality in the approaches adopted by the two countries in tackling their economic troubles, *viz.* by increasing the pace of economic liberalisation, there is ample scope for boosting two way trade between Turkey and India, which aggregated to $42.7 million (Rs. 51.24 crores) in 1985. That, then, would be the most important result of Ozal's recent visit to this country.

V.A. Acharya

SINGAPORE

Trade offensive

Among the regular statistics which have documented Singapore's startling economic contraction over the past year, one — the island state's trade with the outside world — shows how its famous *entrepot* role, like so much else, has run into trouble.

In 1985, for the first time in 10 years, the value of Singapore's total trade showed a fall, from S $112 billion (Rs. 6,720 crores) in 1984 to S $108 billion (Rs. 6,480 crores). More to the point, monthly figures over the past 12 months reveal a relentless slide, and one that seems to be continuing.

In the first two months of 1986, exports fell by 21.1% and 5% in January and February of 1985. Imports were off by 19.5% and 11.8%. Since the middle of last year only one monthly figure — for December's imports — has shown any rise.

Inevitably there are complications in interpreting the statistics. Growth in world trade as a whole slowed markedly in 1985 after an exceptional 1984. It was led by a loss in pace of US imports, and this hurt all the newly industrialising countries of East Asia.

Singapore's problems, moreover, were compounded by a weakening of neighbouring economies and by depressed demand both for commodities and equipment traded through Singapore. But with the regional outlook still gloomy and every prospect of an unprecedented second successive year of negative economic growth in Singapore, no one is expecting the underlying trend to alter. As a result Singapore is now looking hard for new markets, for new products to sell and for a new dimension to its *entrepot* role.

Strategic location. This role has already changed much since Singapore first capitalised on its strategic location and the freeport status which Stamford Raffles established after founding the state in 1819. Its *entrepot* trade is no longer confined simply to commodities like rubber, timber, palm oil and spices, imported from the region and exported elsewhere. It also involves the import of industrial and consumer goods from rich countries and their re-export to its neighbours.

Yet, however efficiently this is done, Singapore's neighbours have long sought to take over this trade themselves, leaving the island state to carve out fresh niches for itself. The one most talked about in Singapore these days is "information" — taking advantage of advances in telecommunication technology to become a centre for collecting, processing and supplying information.

Singapore's ambitions go beyond this. It wants to be a "brain services" centre, offering marketable expertise in engineering and construction, in design and maintenance, in architecture and accounting and in legal and medical services. It wants to build on its existing financial services, covering banking, insurance and futures, to expand its oil trading role and to become a counter-trade centre.

Little of this can be done quickly, so in the meantime Singapore hopes its counter-recessionary measures will help maintain the island's vital role. Its port,



Lee: promotion help

one of the busiest in the world and Asia's largest trans-shipment centre, certainly wants to stay that way, and last month the Port of Singapore Authority announced yet more cuts in charges, adding another S $45 million (Rs. 27 crores) to the S $50 million in revenue foregone through reductions in 1985.

The search for new markets, and for new products to sell, is spearheaded by the government's Trade Development Board (TDB), now in its fourth year and charged with promoting the country's trade. Scarcely a fortnight goes by these days without some fresh announcement of moves to develop trade further.

Only last week heavy publicity was being given to its efforts to set up international purchasing offices in Singapore. US manufacturers such as IBM, AT&T and Kodak have already done so, as have Northern Telecom, Philips and Sony. The TDB is trying to persuade more Japanese companies such as NEC, Hitachi, Canon and Fujitsu to follow suit.

Last week, too, a TDB-led delegation of officials from government and private sector companies visited Burma, while a similar team travelled to Manchester in the UK at the end of March on the first Singapore Airlines flight on this new route.

Potential markets. The main overall effort, however, is being concentrated on China and India, both huge potential markets. Missions were sent to each last year, and Singapore needs only a morsel of the business to benefit greatly. The search is also being spread wider. This year missions will go to north and west Africa in June, and to eastern Europe in September. Canada is another target, and altogether 25 missions are planned for the fiscal year which has just begun.

That compares with 19 in 1985-86 and only six the previous year. Singapore will also participate in 46 international fairs, while the TDB, having opened three new offices last year, will set up three more this year, in France, the US and China.

Among the new products Singapore would like to sell in existing markets, the TDB lists jewellery in Japan, electronics in Australia and industrial machinery in West Asia. To all rich countries it would like to export high quality products such as fashion wear, speciality food, quality furniture and industrial electronic goods.

Helping in the promotion is no less a person than Lee Kuan Yew, the prime minister. Over the past nine months he has visited China, the US, Indonesia, Burma, Thailand, New Zealand, Fiji and Australia. No opportunity has been missed by Lee or his ministers to promote Singapore as a place to invest in or trade with, and to explain how it is combating the recession.

Singing the virtues of its own free trade practices, Singapore also loses no chance to point out its worries over protectionist trends abroad. It makes no secret of its belief, for example, that Japan should open up its markets, and last year even presented an envoy of prime minister Yasuhiro Nakasone with a list of 33 products it would like to see Japan include in its liberalising measures.

Similarly Lee, in a press interview in early April, urged the US not to neglect the interests of all the non-communist nations of South-east Asia over trade in tin, rubber and textiles, and especially over the generalised system of preferences, under which developing country exports are given tariff privileges.

Inevitable graduation. This is particu-

larly important for Singapore. One of its great fears for the future is its inevitable "graduation" to developed country status, which would halt these privileges. Last year it became embroiled in a dispute with New Zealand when Wellington, as part of its own trade liberalisation, decided to end privileges for countries with per capita GNPs higher than 70% of New Zealand's.

Singapore saw this as the thin end of the wedge and with the help of its Association of South-east Asian Nations (ASEAN) partners persuaded New Zealand to back down. Singapore feels GNP is a misleading measure of relative wealth because of the large foreign component in its economy. More generally, it feels products, and not countries, should be "graduated."

For all this, it cannot be long before Singapore is treated as a developed country, especially as its current economic setbacks cannot be expected to last indefinitely. Times will undoubtedly be tough for the next two years at least. But the country has everything to play for — and few people feel that its well-established trading role can ever actually be lost.

Chris Sherwell
(By special arrangement with the Financial Times, London)

PAKISTAN

The return of Bhutto

Pakistan's opposition leader Benazir Bhutto is attracting massive crowds at political rallies following her return home after almost two years in exile. But the tone of her statements so far has been relatively moderate and it is not clear how she intends to achieve her avowed objective of forcing President Zia-ul-Haq out of office.

Zia and prime minister Muhammad Khan Junejo have rejected Bhutto's demand for fresh elections, saying the open showing of her political strength was itself a manifestation of the restoration of democracy in the country. Public meetings and processions are part of electioneering, Zia observed, adding that he saw no reason for an election campaign four years before an election is due. The political parties can contest elections when the present assemblies (elected on a non-party basis) have completed their tenure. Then if the people vote for other parties, they would be free to come into power, he said.

A festive crowd of several hundred thousand supporters of the Pakistan People's Party (PPP) welcomed Bhutto in Lahore upon her return on 10th April. A huge procession took several hours to cover a distance of 13 km from the airport to the Pakistan Memorial Park in the city, where the demand for Pakistan was first made in 1940.

Largest demonstration. PPP enthusiasts had converged in Lahore from all over the country, using all available forms of transport, including buses, trucks, motorcycles, cars, tractors and trolleys.



Bhutto: tumultuous welcome

Most estimates of the size of the crowd, both in the streets of Lahore during the procession and at its culmination at the public meeting, ranged up to 5,00,000 though some reporters put it at almost 1 million and Bhutto herself claimed 5 million. There was general agreement, however, that it was the largest political demonstration in Punjab, Pakistan's most populous province, in a long time.

Processionists shouted anti-Zia slogans, including obscenities, besides showing respect for Benazir's father, the late prime minister Zulfikar Ali Bhutto, who was executed in 1979. The PPP holds Zia responsible for the elder Bhutto's death. Anti-American slogans were also raised and American flags burned despite Bhutto's own rather moderate statements regarding the US, both before and after her return.

The tumultuous welcome Bhutto received, followed by huge rallies in other Punjabi cities like Gujranwala and Faisalabad proves that the PPP remains a formidable force despite its founder's execution and his successor's detention and exile for most of the past eight years under martial law.

Bhutto's return has revived the PPP and party workers will remain on the streets for several days to celebrate the return of their leader, remarked a senior Pakistani journalist with opposition sympathies. However, the question is whether she can translate personal appeal into a popular campaign to oust the government.

The PPP leader insisted that she wants immediate elections on a party basis but would not resort to violence to achieve that end. "On 10th April we could have taken over the government," she told a press conference the day after her return, "but we are committed to a peaceful transfer of power."

Her attitude was conciliatory on most issues and while she refused to acknowledge the legitimacy of Junejo's government, she admitted it represents an improvement on the martial law regime. But she was adamant in her opposition to Zia and drew parallels between him and former president Ferdinand Marcos of the Philippines.

"Some days ago the Filipino dictator escaped on an American plane," she told the cheering crowd in Lahore, adding, "after we have shown our people's strength, another dictator will be forced to flee." Bhutto tried to allay fears that the return to power of the PPP would result in a witch-hunt of its opponents, particularly those who cooperated with Zia, and said she had no plans to take revenge against her father's enemies.

Common strategy. But the opposition leader's apparent moderation convinced few rivals. Several observers predicted that after the euphoria of her return was over, political forces opposed to the PPP will sit together to work out a common strategy. The independent daily, *Muslim*, commenting on Bhutto's homecoming, observed: "The basic polarisation in Pakistan's polity remains undisturbed and the lines are clearly drawn."

The reassertion of the PPP's political power will almost certainly mobilise the social groups which constituted the power base of the Pakistan National Alliance (PNA) that led the agitation against the PPP in 1977, resulting in the overthrow of Bhutto's father by the army. The PNA's supporters included the urban middle class, landowners, businessmen, industrialists and the religious groups. However, exploring the scope for pragmatic politics, the *Muslim* went on to urge Junejo to open talks on new elec-

tions with Bhutto before the polarisation posed a danger to the country.

A resurgent PPP led by the charismatic Bhutto also threatens the unity of the 11-party Movement for Restoration of Democracy (MRD) which has so far been the focus of extra-parliamentary opposition in the country. Although Bhutto maintains that the PPP will remain with the MRD, some party leaders seem to think the alliance has become unnecessary now that the opposition does not face official repression.

Other parties within the MRD, notably the centrist Tehrik-e-Istiqlal led by Asghar Khan, resent the PPP's adherence to "Bhuttoism" which they say is inconsistent with democracy.

The *Muslim* pointed out editorially that Bhuttoism could be a divisive factor in Pakistani politics, and warned against the danger of reducing the PPP to "adherents of a cult who are engaged in promoting and projecting individuals rather than upholding issue-oriented politics."

The PPP's problem is that the Bhutto name is its greatest asset and it would rather risk the break-up of the MRD than lose the drawing power of Bhutto's fame. The party is divided into several factions which are brought together only by loyalty to the Bhutto family, and much of the party's current attraction is based on presenting the elder Bhutto as a people's martyr.

Apart from this ideological conflict the PPP faces another dilemma. If its leaders turn the current large rallies into violent anti-government demonstrations, they run the risk of inviting the return of martial law. However, if the rallies are kept peaceful their significance will wane with the passage of time and the government could then sit out the Bhutto challenge until the next general election.

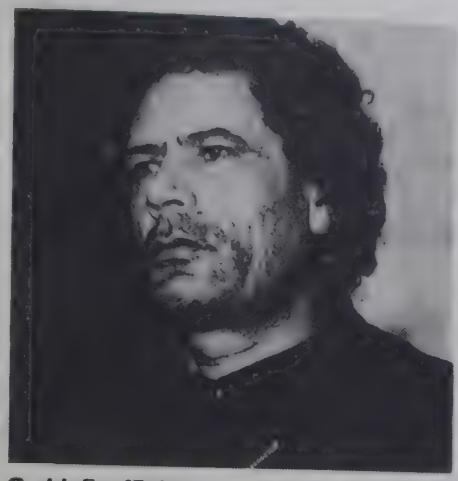
Husain Haqqani
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

LIBYA

Limited options

Shock, anger and horror marked the reaction of the world community to the US attack on Libya on 15th April which killed scores of civilians including Libyan strongman Colonel Muammar Gaddafi's 16-month old adopted daughter and injured hundreds of others.

According to a White House spokesman in Washington, the bombing raids conducted on the cities of Tripoli and Benghazi were punishment for Libyan-backed terrorist acts against American nationals and was aimed at discouraging



Gaddafi: affinity for terrorists?

similar attacks in the future. The immediate provocation, however, is believed to be a bomb explosion in a West Berlin discotheque which killed an American serviceman and a Turkish woman. According to the Reagan administration, it has irrefutable proof that the incident was masterminded by Libyan terrorists and hence the retaliation.

But a large part of the world was unconvinced about Gaddafi's complicity and even more was convinced that the US action will only trigger off a chain of terrorist attacks around the world. Comments an editorial in the London-based *Financial Times* (16th April): "Yesterday's bombing of Libyan targets by US aircraft was futile, deplorable and almost certainly counter-productive... The urge to respond in kind to terrorism to answer violence with violence is understandable enough, but none of the explanations offered in Washington, or echoed in London, justifies the US in this kind of military action. Even if targets associated with terrorism have been hit, there is no reason to suppose this will halt Libyan terrorism; the reverse is more likely."

Frequent skirmishes. However, despite the suddenness of the US blitzkrieg the stage for it was set months and even years ago. A powerful US armada has been conducting naval exercises in and around the Gulf of Sidra, located north of Tripoli which Libya claims to be its territorial waters in contravention of international law. This has led to frequent skirmishes between Libyan and US forces. Thus, in 1981, the US air force shot down two Libyan jets and more recently, about three weeks prior to the air raid on the Libyan capital, US forces sank two Libyan patrol boats and damaged a radar installation at a Soviet built missile base onshore.

Indeed, this Mediterranean-kissed desert state with a small population of 3.5 million, a land area of 1.7 million sq km and surrounded by Egypt, Tunisia and Algeria has been front page news for quite some time now. Very little is known about its political origins. Libya became an independent sovereign federal kingdom under the Amin of Cyrenaica, Mohammed Idris Al Semussi who was proclaimed king of the united kingdom of Libya on 24th December 1951 when the British residents in Tripolitinia and Cyrenaica and the French resident in Fezzan transferred their powers to the federal government of Libya in pursuance of decisions taken by the United Nations in 1949 and 1950.

On 1st September 1969, King Idris was deposed by a group of 12 army officers who formed the revolutionary command council chaired by Colonel Gaddafi and proclaimed Libya a republic. They ruled the country through an appointed council of ministers until 2nd March 1977 when both the councils were abolished and a constitutional government was restored.

A new form of direct democracy, the *Jamahiriya* (state of the masses), was promulgated and the official name of the country was changed to Socialist People's Libyan Arab Jamahiriya.

There is no precise event which marked Gaddafi's support for state-sponsored terrorism. Rather, as a writer in *Time* magazine (21st April) opines, "Gaddafi's cause and the means with which he pursues it are the result of his desert youth, his early military training and his scattered reading of utopian and anarchist writers."

Terrorism and support of "revolutionary movements" are tenets of Gaddafi's foreign policy, claims *Time*. According to this report, "Gaddafi in fact seems hardly to have met a terrorist that he didn't like or support. In addition to funding the radical fringes of Palestinian organisations, his hand and pocketbook have been seen behind Columbia's M-19 guerrillas, the Irish Republican Army and Turkish Armenian terrorist groups. He offered sanctuary to the three surviving members of Black September guerrillas who slaughtered 11 Israeli athletes at the 1972 Olympic games. Gaddafi has turned Libya into a kind of Palm Springs for despots and terrorists.

While *Time* magazine's interpretation of world events and particularly of the US-Libya confrontation does often appear to be an extension of the US state department's views on the subject, there is some truth to the claim that Gaddafi's military ambitions have been at the cost of Libya's economic development. For despite the relatively high per

MAHARISHI WORLD PEACE FUND

Rs. 120 CRORES TO ENSURE WORLD PEACE

MAHARISHI'S WORLD PLAN TO ROOT OUT TERRORISM AND RIVALRY OF SUPERPOWERS WITHOUT LOSS OF LIFE



His Holiness
Maharishi Mahesh Yogi

It is obvious to everyone that all means employed by man so far to achieve world peace have failed. Since one thousand B.C. there have been over 8,000 peace treaties, and each one lasted on average no more than nine years. The League of Nations was founded in 1920 to ensure that World War I 'was the war to end all wars'. Twenty years later World War II erupted. The United Nations was established in 1945 to end wars and conflicts between nations once and for all. Since then there have been eighty major wars. **It is clear that political negotiations, treaties and organisations have never and can never create a lasting state of world peace.**

- With the complete knowledge of natural law available in **Maharishi's Vedic Science**, world peace now is only a matter of money.

- 10,000 Vedic Pandits can be trained in **Maharishi's Vedic Science** and modestly maintained permanently with Rs. 12 crores per year. This will generate and maintain a strong influence of sattva (positivity) in world consciousness and eliminate the very basis of terrorism and dangerous rivalry of superpowers.

- Only a strong indomitable influence of sattva in world consciousness can prevent the bubbles of stress rising in the world. This alone can root out terrorism without loss of life. This alone can eliminate crime, negative tendencies, and fear prevailing in the world family due to rivalry of superpowers.

- This appeal is addressed to the top industrialists of India and other countries whose existence and success primarily depends upon harmony in the national and international fields.

- This appeal is also addressed to the government leaders in the world, whose responsibility is to provide law and order, peace and harmony to all the people.

- Maharishi World Peace Fund will be exclusively used to train and maintain 10,000 Vedic Pandits.

- Those who will contribute to Maharishi World Peace Fund will naturally be the first beneficiaries of the evolutionary support of natural law generated by the daily performance of 10,000 Vedic Pandits in Maharishi Nagar, which is rising to be the World Capital of the Age of Enlightenment to create and maintain world peace generation after generation.

- As every wealthy man in the world has his own charitable trust, it is urgent and imperative that Maharishi World Peace Fund immediately forms a part of their trust fund on a permanent basis.

- With Maharishi World Peace Fund, now every head of state will ring the bell of invincibility for his nation.

Please contact:
Director, Maharishi World Peace Fund
Dr. C. Anna Rao, D.Litt.,
Former Executive Officer & Chairman,
Tirumala Tirupati Devasthanams
Maharishi Nagar (near Delhi)
Noida, Ghaziabad, U.P., 201307 India

capita income level of $8,640 (Rs.1.03 lakhs) per annum, the Libyan economy is extremely vulnerable. More than 70% of the country's gross domestic product of $25 billion (Rs.30,000 crores in 1982) is accounted for by oil revenues and its main industries are traditional low value added businesses such as carpets, textiles and shoes. Given the plunge in oil prices in recent times, Libya's oil revenues are poised for a sharp decline which in turn could result in a downturn in Libya's economy.

Worldwide sympathy. Be that as it may, the recent US air raid on Libya has evoked worldwide sympathy for this Arab nation. And leading the volley of protests was the Indian prime minister Rajiv Gandhi. Inaugurating the four day ministerial meeting of the Coordinating Bureau of the Non-Aligned countries in New Delhi on 16th April, Gandhi remarked, "At this moment of crisis Libya has the full support and sympathy of all her colleagues in the non-aligned movement."

Meanwhile, on its part, Libya has decided to derive maximum publicity and sympathy by not reacting militarily to the US raid. "Libya has decided to tone down its combative verbosity and convert the US bombing of its targets in Tripoli and Benghazi into a great media opportunity. This is clear from the stern efficiency with which 200 odd journalists who have assembled here are being shepherded from one bombed-out site to another — a wounded civilian in this hospital, an expiring child in that one. In slow stages, maximum publicity is being extracted from the situation. Things would have been different had Colonel Gaddafi died which was clearly the American intention. But now that he has survived the murderous attack, the colonel is being quite unlike himself — the martyr, the innocent leader whose intense Arab nationalism the Americans cannot stomach. Colonel Gaddafi today is an object of sympathy in Europe and a larger-than-life figure in West Asia.This is clearly not what the Americans wanted," writes Saeed Naqvi in a spot report in the Calcutta-based daily *The Telegraph* (25th April).

But while Gaddafi has acted with great restraint in the present crisis, the question which remains unanswered is for how long. He has already aligned his state more closely with the Soviet Union and expelled American and British journalists from Libya. And as Gaddafi tones up his muscles once again, the world awaits with bated breath his next move.

Debjani Sinha

LETTER FROM LA PAZ — MARY HELEN SPOONER

An economy under siege

President Victor Paz Estenssoro's hope for resolving Bolivia's balance of payments crisis seemed to evaporate in mid-April as the Bolivian congress failed to approve a reduced deficit budget and a proposed tax reform bill. The two measures would have opened the way for Bolivia to receive the first disbursement of a $150 million (Rs. 180 crores) standby loan from the International Monetary Fund (IMF), plus another $350 million (Rs. 420 crores) in loans from other multilateral lending institutions.

Shortly after taking office last August, President Paz decreed a package of austerity measures, including an end to most price subsidies, a devaluation of the Bolivian peso to near market value, a reduction of import tariffs and a freeze on public sector wages. The new government's economic programme succeeded in reducing Bolivia's hyperinflation, which last year reached an incredible 50,000%, but failed to resuscitate industrial and agricultural production, largely because of the shortage of internal and external credit.

Strong resistance. The IMF, which signed a letter of intent with the Paz Estenssoro government last December, is pressing Bolivia to reform its tax code, increasing taxation on such personal assets as cars, boats and luxury goods. At present Bolivia has one of the lowest tax rates in the world, with taxes accounting for less than 0.5% of the country's annual budget. But the government's efforts to push tax reform legislation through congress have been opposed by the country's affluent minority. The measure has run into particularly strong resistance in Santa Cruz, the country's second largest city and residence of Bolivia's major cocaine traffickers. The $1 billion (Rs. 1,200 crores) cocaine trade has produced numerous potentially taxable assets in Santa Cruz, where the first Rolls-Royce ever seen in Bolivia has appeared on the streets.

Nevertheless, the economic plight in this country of 6.1 million has aroused at least some sympathy abroad. In early April, Javier Perez de Cuellar, the UN secretary general, visited La Paz and promised to intercede on Bolivia's behalf before multilateral financing institutions. He also called on UN member countries to contribute to a $150 million emergency fund for Bolivia. West Germany recently released the first disbursement of a DM 65 million (Rs. 34 crores) credit to Bolivia for this year.

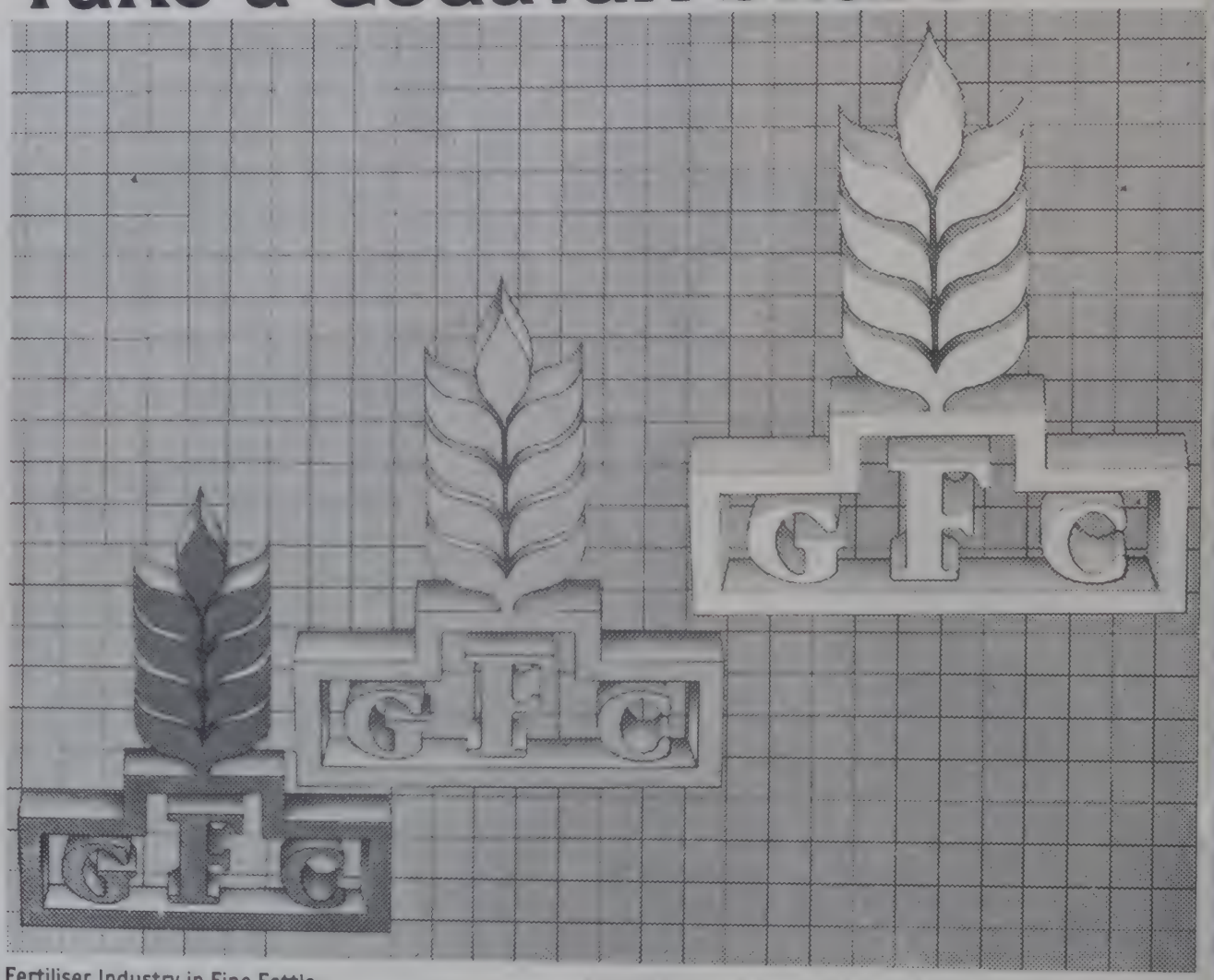
On the other hand, in March the US cut off the $60 million in economic and military aid to Bolivia scheduled for this year until the authorities manage to reduce the cultivation of coca lead, the main ingredient in cocaine. Most of this aid consisted of agricultural assistance and shipments of surplus grain.

Against the background of Bolivia's impoverished economy, the lucrative cocaine trade has become increasingly difficult to combat. Using US funds, Bolivian officials were offering farmers in the central Chapare province, the main coca growing region, $350 (Rs. 4,200) for each hectare taken out of production. Unfortunately, a good coca crop can yield 20 times as much income as traditional agricultural produce, and local farmers were understandably resentful of drug enforcement efforts. In January, some 17,000 angry coca leaf farmers surrounded a camp where a group of 245 US trained narcotic police were stationed. The blockade, which authorities suspect was organised by cocaine traffickers not wanting to see their supplies endangered, lasted five days.

General strike. President Paz has attempted to reduce the budget deficit by making deep cuts in the government payroll. The municipality of La Paz recently laid off 1,800 of its 5,000 employees, with no visible effect on operations. The country's powerful labour federation, the Central Obrero Boliviano (COB) has fought the cutbacks tooth and nail, and in early April it organised a 24-hour general strike which left the country partly paralysed. The authorities responded by mobilising army troops to keep basic services functioning, and fired 38,000 schoolteachers who had joined the strike.

President Paz seems determined to avoid the mistakes of his predecessor, Hernan Siles Zuazo, whose government imposed a number of austerity packages, then gave in to Bolivian labour's demands when the COB mounted general strikes. This negated the effects of the austerity measures and fuelled the country's inflation. To date his government has been able to deal with labour protests by recourse to hardline tactics, but President Paz will need all his political skills to garner the necessary cooperation from other sectors.

Take a 'Growth' Share
Take a Godavari Share



Fertiliser Industry in Fine Fettle:
The Fertiliser Industry has registered a phenomenal growth in the last two years — among the highest in all sectors of industry. No wonder fertiliser shares have appreciated many times their face value. The trend is likely to continue.

Godavari Fertiliser shares offer you a secure investment, high return and continued growth — a share you will be proud to own.

Project — Promoters:
The Rs. 107.28 crore Di-Ammonium Phosphate project at Kakinada has been promoted by the Indian Farmers Fertiliser Co-operative Limited (IFFCO) the single largest manufacturer of fertilisers in India and the industrially progressive Govt. of Andhra Pradesh.

Located in the rich Godavari delta in Andhra Pradesh — the rice bowl of India — and the third largest fertiliser consuming state, it has the major advantage of a market at its doorstep. Apart from a 700 dealer efficient network already in position, Godavari has the advantage of a larger network of IFFCO outlets and that of co-operatives, institutional and public sector agencies.

Latest Technology — Reputed contractors:
GFCL employs the latest American TVA Slurry Process. The plant is under construction by **Hindustan Dorr-Oliver** a by word for proven cost-efficient erection and commissioning of fertiliser plants ahead of schedule.

Toyo Engineering India Limited and **Tata Projects** are the other main contractors — both reputed companies with an enviable record of performance.

Management:
Godavari, a professionally managed company, with an eminent Board of Directors has an experienced team of professionals with an innovative approach. In addition, Godavari has in-house access to IFFCO's vast and proven technical, managerial and marketing expertise.

Excellent Prospects:
When the DAP plant goes into commercial production, Godavari's annual turnover will be over Rs. 150 crores. The recent discovery of vast reserves of crude oil and natural gas in the Godavari basin of Andhra Pradesh, easy availability of power and the climate of good industrial relations in Andhra Pradesh open up exciting avenues for continued growth, expansion and diversification of the company.

The Company's policies will ensure a high return to investors, prudent financial management, accumulation of reserves and continued growth in areas of national importance and high profitability. The confidence in the growth, profitability and bright prospects arise from the inherent managerial strengths of the Company, the support of its promoters and the liberalised policies of the Government.

Between the twin banks of progress and prosperity floats a growth share. A share that assures you steady appreciation and secure investment. Now,you too,can be a partner in its progress.

Issue Highlights

- ★ Promoted by the dynamic duo — IFFCO, India's single largest fertiliser manufacturer and the Government of Andhra Pradesh.
- ★ A Fertiliser giant in the making — patterned on the lines of successful joint sector fertiliser companies.
- ★ Boost to indigenous fertiliser capacity to help meet ever growing demand.
- ★ Market at doorstep in Andhra Pradesh, a power surplus state.
- ★ Latest American TVA slurry process technology from HINDUSTAN DORR-OLIVER.
- ★ Assured 24% pre-tax returns to the Company on networth under Govt. Retention Price Policy.
- ★ A fertiliser growth share for cash at par.
- ★ 80CC, 80L, 80M benefits under Income Tax Act and total exemption under Wealth Tax Act.
- ★ Easy liquidity — listing initially at Bombay, Ahmedabad, Delhi, Madras and Hyderabad Stock Exchanges.

Issue of 1,57,50,000 Equity Shares of Rs. 10/- each for cash at par.

Issue opens:

For Non-Resident Indians	:	**3rd May '86**
For Farmers and Co-operatives	:	**12th May '86**
For Indian Public	:	**21st May '86**

Managers to the Issue

State Bank of India
Merchant Banking Division
Madame Cama Road, BOMBAY 400 021

CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LIMITED
Regent Chambers, Nariman Point, Bombay 400 021

GFC

Godavari Fertilisers and Chemicals Limited
Vani Nilayam, 50 Sebastian Road
Secunderabad 500 003

Godavari — Take a growing share in prosperity

Sobhagya H/GFC/86 3

UNITED STATES

Carbide's divestiture binge

■ The Connecticut (US)-based manufacturer of chemicals and plastics, Union Carbide Corporation (UCC — sales: $9.50 billion or Rs.11,400 crores in 1984), has sold its home and automotive products divisions to an investment bank, First Boston Group, for $800 million. As part of its divestiture programme, UCC had earlier sold its worldwide battery division to the US-based Ralston Purina Co. for $1.42 billion in a bid to remain in the black after it had accumulated massive debts in its efforts to fend off the takeover threat from GAF Corp.

ADVERTISING

S&S' takeover mania

■ The UK-based advertising, consulting and public relations company Saatchi & Saatchi plc (S&S — annual billings: £1.3 billion or Rs. 2,210 crores in 1985), has taken over the US-based Backer & Spielvogle Inc., the 23rd largest advertising agency in the world (net income: $5 million or Rs. 6 crores in the year ended March 1986). With this acquisition S&S is poised to become the second largest advertising agency in the world.

Rising from obsourity, S&S has become the largest advertising agency in the UK and Europe and the fourth largest in the world in just over a decade largely through effecting a series of takeovers. And now to fund its future acquisitions, S&S has also launched a £400 million rights issue — the second largest such issue ever in Britain. S&S is offering its shareholders seven new shares for every eight shares already held, at a price of 700p per share.

According to a top company official, a rights issue of this size would enable S&S to effect some more major takeovers. He also pointed out that the company would be pursuing a policy that will make it the global market leader in as many as 10 business sectors.

TELECOMMUNICATIONS

GEC's rare feat

■ The UK-based General Electric Co. (GEC — sales: $7.15 billion or Rs. 8,580 crores in 1984) has won a £12 million telecommunications contract in Bangladesh which is funded entirely by grants from the Norwegian government.

The contract involves linking 30 railway stations in Bangladesh with multiplex telecommunications equipment. This includes the use of both orthodox cables as well as optical fibres, with the latter being used for the first time in that country. The manner in which GEC won the contract was rather unusual in that it is generally considered impossible for a company to win a contract which is funded by another country.

The contract was won by a British subsidiary of GEC, Telephone Cables. GEC Telecommunications of the UK and GEC, Bangladesh are the subcontractors. Telecommunication cables totalling 1,700 km and other equipment are to be supplied by GEC, UK and will cost £10 million while installation charges by GEC, Bangladesh will aggregate £2 million. This is one of Bangladesh's first industrial projects to be backed by foreign grants.

BRITAIN

Guinness bags Distillers

■ The UK-based Guinness plc (sales: £1.18 billion or Rs.2,077 crores in 1985) which claims major multinational operations with huge beer sales in the US, continental Europe and the Far East, has emerged victorious after one of Britain's most acrimonious takeover battles. Guinness defeated Argyll Group plc, the UK-based supermarket group, to wrest control of Distillers Co. By the 18th April deadline, Guinness controlled more than 50% of Distillers' shares of $4 billion (Rs.4,800 crores).

Despite an aggressive no-holds-barred media campaign, which Guinness complained was defamatory and which startled corporate analysts with its break from conservative tradition, Argyll failed to push up its share percentage over 25%. Dubbed the "ghastly grocers" by the British press and public, Argyll's supermarket image compared disadvantageously to that of the more aristocratic Guinness. Argyll now stands to lose the equivalent of $38 million (Rs.96 crores) in takeover costs.

It is hoped that the merger will enable the company to "compete with foreign-owned giants on even terms."

UNITED STATES

Merger mania '85

■ The value of mergers and acquisitions in the US reached a record figure of $179.6 billion (Rs. 2,15,520 crores) in 1985. According to a survey conducted by W.T. Grimm, the Chicago-based publishing and market research organisation, the 1985 figure represented a 47% increase over the 1984 figure of $122.2 billion. According to the survey report, there were 3,001 mergers and acquisitions in 1985 *cf.* 2,543 in 1984. But this was still way below the figure of 4,040 recorded in 1973. However, there were a lot of new features that stood out in the 1985 merger mania.

An important feature was the extraordinary jump in the size of takeover bids. In 1985, a record number of 36 transactions were valued at more than $1 billion each. Consequently, the total value of $1 billion plus deals touched $92.7 billion *cf.* $58.1 billion in 1984, when 18 deals in this category were concluded.

In 1984, all the biggest deals were in the oil industry. But last year, the only acquisition in the oil industry to figure in the list of the top 10 takeovers was US Steel's acquisition of Texas Oil & Gas. In 1985, the largest non-oil acquisition in US corporate history was the takeover of RCA by General Electric — a deal valued at $5.97 billion.

TURKEY

Curious exchange

■ A stock exchange without shares! Unheard of, but true, in the case of the new Istanbul stock exchange (ISE) which was inaugurated in January 1986, nearly four years after the previous one collapsed in 1982. That the volume of shares traded is negligible, is more than evident in the pace at which the ISE functions and the systems it follows. Firstly, just 40 companies are listed. Then there is only one session in stock trading, which ends at noon. Prices and volumes are fixed daily, and the former cannot fluctuate beyond 5%. And to top it all, the ISE must be the only stock exchange in the world where stocks are traded in alphabetical order. If an investor is not paying attention and misses out on the bidding for a particular stock, he has no option but to postpone his bid to the next day.

The overriding caution being exercised by the ISE authorities is a case of once bitten twice shy. The "wild East-style trading" — characterised by under-the-counter deals, insider trading, a precarious juggling of interest payments between clients, same shares being sold innumerable times, *et al* — which flourished earlier, culminated in Istanbul's stock exchange debacle of 1982. And the disastrous economic consequences of this event are still fresh in the collective consciousness of the Turks.

PRECISION BEARINGS

Promising outlook

Precision Bearings India Ltd., the company engaged in the manufacture of ball and roller bearings, has changed its name to FAG Precision Bearings Ltd. This is consequent to the company's West German collaborator company, FAG Kugelfischer Georg Schaefer, agreeing to lend its name.

The Indian company has been doing quite well after its West German collaborator helped it to improve its operational efficiency. As a consequence, the sales turnover has crossed the Rs. 20 crore mark in its accounting year ended 31st December 1985.

The indications are that the prospects for the current and coming years are even more promising. The company has embarked upon an ambitious Rs. 10 crore expansion-cum-modernisation programme, which will be completed by the end of 1987. By this time, the company will have replaced a major portion of its old plant and machinery, which will enable it to increase production to around 8 million bearings per annum, i.e. to its full licensed capacity. The current production level is 5 million bearings per annum. This will also enable the company to almost double its turnover during the next three years.

OTIS ELEVATORS

Great expectations

The outlook for the current year (1st December 1985-30th November 1986) of the Bombay-based elevators (i.e. lifts) and escalators manufacturing company, Otis Elevator Co. (India) Ltd., is very encouraging. The company — originally promoted by the Otis Elevator Co., New Jersey, USA — is the largest elevator manufacturing company in the country and the only one to manufacture escalators indigenously.

In its current year, the company has drawn up ambitious and extensive modernisation plans to upgrade the quality of its products by modernising its manufacturing technology. A sum of more than Rs. 1 crore was spent on this programme in 1984-85 and the indications are that the outlay for this programme is likely to be maintained in the current year as well. The company's elevators and escalators enjoy a good reputation in the fast growth market for high rise constructions, especially in metropolitan cities.

Meanwhile, the company's order book is quite full and if current trends are any indication, the sales turnover is likely to increase by at least 30% and gross profit by at least 25% over the 1984-85 levels of Rs. 27.62 crores and Rs. 6.55 crores respectively. The shareholders can expect a higher dividend (20% in the previous year) on the doubled capital base arising out of the 1:1 bonus issue made recently.

E. MERCK

Encouraging prospects

E. Merck (India) Ltd. — the Indian associate of the multinational West German Merck group of companies — which had recorded highly encouraging results in its year ended 31st December 1985, is doing even better in its current financial year, i.e. calendar 1986.

The company has introduced a range of chemicals bearing the BDH trademark, towards the end of 1985. This will enable the company to avail of the benefit of the technology and worldwide marketing expertise of BDH Ltd., UK. The real impact of this arrangement should be felt in the current year's working.

In addition, the company's diagnostic products project is under implementation and is scheduled to be completed in the current year. Both these developments augur well for the company's performance during 1986.

Meanwhile, the company has received a letter of intent to manufacture dithianon/delan, a fungicide developed by Celamerck, a company which is also a part of the Merck group. Plans to implement this project are also being finalised.

Companies this fortnight

(Rs. crores)

	E. Merck (year ending December)			Otis Elevators (year ending November)			Precision Bearings (year ending December)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Sales	23.64	26.09	30.40	15.44	20.75	27.62	12.19	16.90	20.61
Gross profit	3.41	3.90	4.03	4.14	4.94	6.55	−0.26	0.57	1.18
Paid-up capital	2.75	2.75	2.75	2.52	2.52	5.04	1.67	1.67	1.67
Reserves	2.56	2.79	3.52	5.96	6.18	5.35	2.12	2.45	3.39
Gross fixed assets	8.71	9.43	10.39	8.54	9.79	10.64	13.14	14.37	19.81
Dividend (%)	15.00	18.00	18.00	25.00	25.00	20.00	Nil	12.00	14.00
Earnings per share (Rs.)	3.56	3.63	4.44	7.18	7.53	5.35	−15.45	34.06	70.52
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	100.00	100.00	100.00
Market price as on 25th April 1986 (Rs.)			127.50			112.00			275.00

HINDUSTAN LEVER

Ambitious programme

Hindustan Lever Ltd. (HLL) — the Bombay-based consumer products colossus — has fared well in its accounting year ended 31st December 1985. Sales turnover at Rs. 707 crores is 14.6% higher than the Rs. 617 crores recorded in 1984. Gross profit has increased by 24.4% to Rs. 79.28 crores from Rs. 63.71 crores in the previous year. Pre-tax profit has risen to Rs. 55.56 crores from Rs. 44.01 crores in 1984, while profit after tax at Rs. 32.56 crores is a substantial 50% higher than the Rs. 21.68 crores notched up in 1984. The export revenue of the company has also surged to Rs. 84 crores, i.e. by 14% over the Rs. 74 crores recorded in the previous year. Consequently, the company's board of directors has recommended a higher dividend of 30% *cf.* 24% paid in 1984.

Meanwhile, HLL has charted out an ambitious diversification and expansion programme. A priority area for fresh investments is chemicals. The company has received a letter of intent to manufacture high pressure polymer, and the unit is expected to be located in Maharashtra. It has also received the clearance to manufacture fluid cracking catalysts (FCC), which find wide application in petroleum refineries and are currently imported. The FCC manufacturing facility is expected to be located in West Bengal and will incorporate the latest technology. The company has also received a letter of intent to manufacture an additional 20,000 tonnes of detergent, and proposes to set up a new plant for this project at Hamirpur, UP.

Applications have also been submitted to set up a linear alkyl benzene (LAB) plant at Vishakapatnam, with an annual capacity of 50,000 tonnes. Substantial capital expenditure has also been earmarked for the modernisation of the company's existing plants.

SPIC

Bonus issue

The Madras-based Southern Petrochemical Industries Corporation Ltd. (SPIC), which manufactures fertilisers and pesticides, has fared well in its accounting year ended 31st December 1985. The company has recorded a 10.44% increase in sales turnover from Rs. 508.10 crores in 1984 to Rs. 561.16 crores, while pre-tax profit has increased to Rs. 42.01 crores from Rs. 36.11 crores in 1984. Profit after tax has also risen by a sharp 58.5% to Rs. 39.01 crores from Rs. 24.61 crores in 1984. Consequently, the company's board of directors has recommended an equity dividend of 20% *cf.* 12.5% in 1984, in addition to a bonus issue in the ratio of 1:1, subject to the necessary approvals.

Following the success of its recent non-convertible debenture issue, valued at Rs. 25 crores, the company proposes to enter the market again shortly with a fixed deposit scheme. This scheme incorporates a new feature — the payment of maturity bonus at the end of three years, in addition to half yearly interest payments.

SPIC has also embarked on a major diversification and expansion programme. It is in the final stages of procuring a second chemical tanker at a cost of Rs. 20 crores, it has commissioned its captive power plant at a cost of Rs. 22 crores and it is in the process of setting up a project for the manufacture of aluminium fluoride.

ASHOK LEYLAND

Disappointing year

Ashok Leyland Ltd. — the well-known Madras-based company which manufactures medium and heavy duty commercial vehicles and engines — has posted disappointing financial results for its year ended 31st December 1985. Though the sales turnover of the company has risen to Rs. 334.39 crores from Rs. 281.86 crores in 1984, pre-tax profit has declined by a sharp 31% to Rs. 4.47 crores from Rs. 6.49 crores in 1984, while profit after tax is also lower at Rs. 4.47 crores *cf.* Rs. 5.86 crores in the previous year. Consequently, the board of directors has recommended a lower equity dividend of 10% *cf.* 18% paid in 1984.

FOOD SPECIALITIES

Impressive show

Food Specialities Ltd. — the New Delhi-based company which manufactures a range of dairy and other food products, with the best known among them being Nescafé, Milkmaid and Maggi noodles — has announced the preliminary results for its accounting year ended 31st December 1985. There has been an appreciable improvement in the company's sales turnover, which has risen by 30% to Rs. 134.99 crores from Rs. 103.73 crores in the previous year. Gross profit at Rs. 15.35 crores is 23.3% higher than the Rs. 12.45 crores recorded in 1984, while profit after tax and depreciation has shot up from Rs. 4.56 crores in 1984 to Rs. 6.42 crores — an increase of 40.8%. The company has already paid an interim equity dividend of 40% — equivalent to the total equity dividend paid in 1984 — and has decided to skip a final dividend. However, the company's board of directors has recommended a bonus issue in the ratio of 1:1.

KLOCKNER WINDSOR

Excellent performance

The Bombay-based Klockner Windsor India Ltd. (formerly R.H. Windsor (India) Ltd.), which manufactures plastic processing machinery, has notched up improved working results in its financial year ended 31st December 1985. Sales turnover has risen by a substantial 55.4% to Rs. 19.50 crores from Rs. 12.55 crores in the previous year, while pre-tax profit has shot up by an impressive 42.7% to Rs. 2.14 crores from Rs. 1.50 crores over the same period. The board of directors has declared an equity dividend of 17% on an enhanced capital base following the recent bonus issue in the ratio of 6:10.

The company proposes to enter the capital market in June with an equity linked debenture issue comprising 6.91 lakh equity shares of Rs. 10 each at a premium of Rs. 11 per share, and 1.38 lakh 13.5% secured redeemable non-convertible debentures of Rs. 100 each.

JAGATJIT INDUSTRIES

Dividend hike

Jagatjit Industries Ltd., the New Delhi-based Thapar group company which *inter alia* manufactures malt liquors and malt, has fared well in its accounting year ended 31st December 1985. Sales turnover has risen by 25.8% to Rs. 78.15 crores from Rs. 62.12 crores in the preceding year. Gross profit has improved to Rs. 7.49 crores from Rs. 6.04 crores in 1984, while pre-tax profit has nearly doubled to Rs. 6.21 crores from Rs. 3.48 crores in 1984. Consequently, the board of directors has recommended an

enhanced equity dividend of 30% *cf.* 25% paid in 1984.

ESSAR SHIPPING

Smooth sailing

Despite the recession in the shipping industry, Essar Shipping Ltd., the Bombay-based Ruia group company, has posted impressive financial results in its year ended 31st December. Sales turnover has improved by a not insubstantial 46.7% to Rs. 42.55 crores from Rs. 29 crores in 1984. Gross profit has spurted by 35.6% to Rs. 19.94 crores from Rs. 14.70 crores, while net profit has improved to Rs. 6.96 crores from Rs. 4.70 crores in 1984 — a growth of 48%. The company's board of directors has declared an equity dividend of 14%.

WIDIA (INDIA)

All round improvement

The Bangalore-based Widia (India) Ltd., which manufactures metal cutting and mining tools, has recorded a marked all round improvement in its working results. In the company's year ended 31st December 1985, sales turnover rose by 29.4% to Rs. 30.07 crores from Rs. 23.23 crores in 1984. Profit before depreciation and taxation increased by 26.3% to Rs. 4.84 crores from Rs. 3.83 crores, while net profit rose from Rs. 1.37 crores in 1984 to Rs. 2.09 crores in the recently concluded year, i.e. by 52.6%. The company's board of directors has recommended an equity dividend of 12.5% (16% in 1984) on the enhanced capital base consequent upon the recent bonus issue in the ratio of 1:1.

ASIAN CABLES

Profit spurt

Asian Cables Corporation Ltd., the Bombay-based R.P. Goenka group company which manufactures insulated wires and cables, has recorded good working results in its year ended 31st December 1985. Sales turnover has risen by 16.3% to Rs. 27.16 crores from Rs. 23.36 crores in the previous year, while pre-tax profit has moved up by a substantial 45% to Rs. 61.58 lakhs from Rs. 42.55 lakhs in 1984. However, the company's board of directors has decided to maintain the payment of equity dividend at 10%.

Some forthcoming public issues

Company	Type	Date	Issue size (Rs. crores)	Purpose
Shanti Gears	E	12th May	0.64	Expansion and modernisation
United Phosphorus	E & CD	12th May	3.20	Expansion and diversification
Continental Pumps	E	12th May	0.57	Expansion and upgradation of pump manufacturing business
Maheshwari Nutrients	E	14th May	0.60	Part financing of processed foods project
Raksons Leasing & Finance	E	14th May	0.62	Long-term working capital
Magnetix (India)	E	14th May	1.31	Part financing of hard ferrites manufacturing project
Arihant Fabrics	CD	19th May	0.71	Modernisation and expansion of texturising and weaving machinery
Pratap Rajasthan Special Steels	E & NCD	19th May	2.00	Part financing of diversification projects
Godavari Fertilisers & Chemicals	E	21st May	15.75	Part financing of di-ammonium phosphate project

E=Equity, face value Rs.10 CD=Convertible debenture
NCD=Non-convertible debenture

PEOPLE & PLACEMENTS



S.R. DUTT has been appointed chairman of the Calcutta Tea Traders Association.



S.S. BASU has been appointed director (industrial systems & products) of Bharat Heavy Electricals Ltd., New Delhi.



RAMESH K. DAGA has been elected chairman of the Association of Indian Engineering Industry (southern region) for 1986.



DALJIT SINGH has been re-elected president of the Delhi Management Association for 1986-87.



P. BHATIA has been appointed executive director (projects) of the Durgapur Steel Plant.



DARSHAK H. MEHTA has been elected president of the Bombay Industries Association.



N.M. DESAI has been appointed president of the Bombay Chamber of Commerce & Industry.



An Investment with over 100% Return

Profitable since inception . . . Growing ever since.

ARIHANT FABRICS LTD.

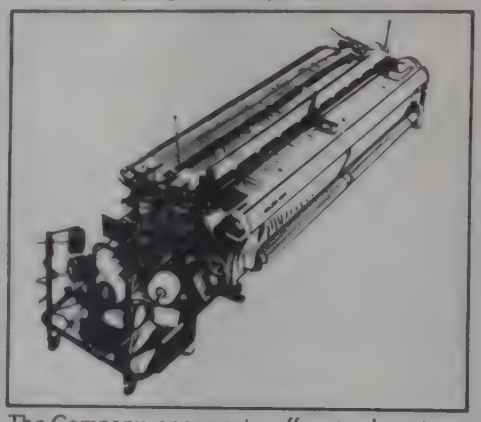
Arihant Fabrics . . . a company on the move right from day one. Commercial production started in 1978-79 with a complement of 12 power looms to manufacture both synthetic and woollen fabrics under the popular trade name "OSWAL".

Gradually, the Company expanded/modernised its operations: initially by adding more looms and then by installing a Texturising plant with a capacity of 96 spindles and a Process House with a capacity of processing 36 lac metres of cloth per annum.

NOW GROWING FURTHER . . .

The Company has now undertaken further modernisation and expansion schemes:

- replacing 12 Nos. looms with an equivalent number of imported "Sulzer Ruti" Projectile Weaving Machines.
- installing a Rieter Scragg Texturising Plant with a capacity of 216 spindles.

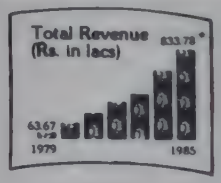


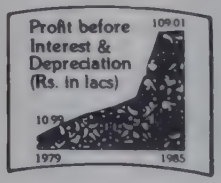
The Company, once again, offers to share its prosperity with the public . . . with an issue of 71,550 15% Secured Redeemable Convertible Debentures of Rs. 150/- each for cash at par (convertible portion Rs. 50/-; non convertible portion Rs. 100/-).

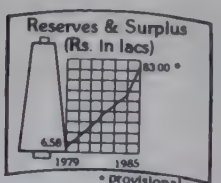
Issue Opens for Non Resident Indians MAY 12, 1986 Indian Public MAY 19, 1986

Issue Highlights

- Rapidly growing company-with excellent track record.
- Popular range of fabrics—"OSWAL" Suitings, Shirtings and Dress Materials; now introducing a range of elegant Sarees.
- An opportunity to invest in a 20% dividend paying company.
- Now Installing SULZER Ruti Projectile Weaving Machines and an additional Texturising plant.
- Dynamic management, highly competent Board.
- 15% Interest on Debentures.
- ½ of Debentures to be converted into Equity Shares on 31st Dec., 1986.
- Easy Liquidity—Listing at Ahmedabad, Bombay, Delhi and Ludhiana.







Managers to the Issue

STATE BANK OF INDIA
Merchant Banking Division

AN INVESTMENT WITH OVER 100% RETURN

Here's How	
Investment in 1 Debenture	Rs. 150.00
Sale Value of 5 Equity Shares at Rs. 40/- per share*	Rs. 200.00
Interest @ 15% for 6 months	Rs. 11.25
Sale value of Non-Convertible portion of Debentures on expiry of 6 months at 16% yield	Rs. 93.75
	Rs. 305.00
Less investment	Rs. 150.00
Return on investment	**Rs. 155.00 or 103.33%**

(Market Value of Equity Shares: Rs. 44.00 as on 28.2.1986, Ludhiana Stock Exchange).

Makers of OSWAL SUITINGS SHIRTINGS & DRESS MATERIALS

A PRODUCT OF ARIHANT FABRICS LIMITED

ARIHANT FABRICS LTD.
Regd. Office & Works: B-35, Phase-V, Focal Point Ludhiana-141010

Sobhagya/324/86

Dubious linkage

Capital issues of non-convertible debentures which companies in this country have been linking with the issue of equity shares, and which therefore are popularly known as linked capital issues, have been hauled up before the Monopoly and Restrictive Trade Practices (MRTP) Commission. The charge is that linking the two together constitutes a restrictive business or trade practice.

The commission is specifically examining the proposal of the Madras-based W.S. Insulators of India to issue 4,70,670 equity shares of Rs. 10 each at a premium of Rs. 2 per share linked to an issue of 3,13,780 non-convertible debentures of Rs. 100 each at par to its shareholders. This examination follows a complaint made by a shareholder of the company to the commission that this linkage is tantamount to a restrictive trade practice.

Since the shareholder's complaint was made, and pending its examination by the MRTP commission, W.S. Insulators has been restrained by the commission from going ahead with its proposed linked capital issue. But, subsequently, the Ahmedabad-based Consumer Education and Research Centre has questioned before the commission similar linked capital issues recently made by as many as 21 companies. Among them: the Madras-based TTK Pharma Ltd.; the Bombay-based Batliboi & Co. Ltd., VIP Industries Ltd. and Ross Murarka Finance Ltd.; the Bangalore-based Shrishma Fine Chemicals & Pharmaceuticals (Karnataka) Ltd. and the New Delhi-based Oswal Agro Mills Ltd.

Rampant practice. Thus, W.S. Insulators is not the only company in this country to have proposed a linked capital issue of non-convertible debentures and equity shares to its shareholders. Indeed, the practice of making such linked capital issues has become rampant within the corporate sector. As the business community awaits the commission's verdict, the complaints about the issue of linked corporate paper by several companies raise a host of questions. The most important of these is, assuming the practice is regarded as unethical by the commission, whose responsibility should it have been to prevent the earlier floatation of such linked corporate paper?

But, before answering this question, it would be useful to examine why the linked capital rights issue proposed by W.S. Insulators of India as also the linked issues of 21 companies have been referred to the commission as an unfair trade practice.

There is nothing inherently offensive about a company issuing non-convertible debentures together with equity shares, as investors in corporate paper have been subscribing to debenture issues as readily as to equity issues. In fact, depending on the terms of the issue, investors are known to have lapped up debenture offerings. Besides, as in the case of Reliance Industries' debentures, there were also buyers recently of the residual portion of the convertible debentures previously issued by the company (in preference to the company's equity shares) after the Reliance management announced that holders of its existing series of debentures would be eligible to a *pro rata* allotment of the new convertible debentures which it issued a few months ago.

'As the business community awaits the commission's verdict, the complaints about the issue of linked corporate paper by several companies raise a host of questions. The most important of these is, assuming the practice is regarded as unethical by the commission, whose responsibility should it have been to prevent the earlier floatation of such linked corporate paper?'

But linked issues of debentures and equity shares become objectionable when companies make subscriptions to both concommittal. By doing this, companies deny the right to investors to subscribe either to debentures or equity shares as per their choice. In such linked issues, a subscriber is forced to purchase both debentures and equity shares. True, there may be investors willing to subscribe to both, but the majority would prefer to subscribe to either equity shares or to debentures. Linking the two robs investors of their right to subscribe to either, and therefore it is contended that such linkages constitute a restrictive business practice.

But who should be held responsible for permitting the issue of such linked paper? As capital issues are made by companies, the responsibility for the floatation of linked capital issues should be pinned on corporate managements. But companies in India are not free to raise capital from the public as per their will. They are subject to the provisions of the Capital Issues (Continuance of Control) Act enacted in 1947. The issue of all corporate paper in this country is subject to permission granted under this enactment.

Little benefit. In recent years, this Act was amended to permit companies to make capital issues of up to Rs. 1 crore on their own. But this exemption is of little benefit to companies in need of large funds for expansion and diversification because their public issues fall squarely within the ambit of the Act. Linked capital issues of non-convertible debentures and equity shares by companies are invariably made to raise large sums of money from the public.

This apart, can corporate managements be penalised for making linked capital issues? Surely, when in need of funds, it is incumbent upon them to find ways and means to do so. And more particularly at this point of time when the corporate sector in this country has been told by the government to fend for itself. In fact, the Union finance ministry has been compelling companies to find new ways to raise a larger volume of funds from the capital market and to devise new instruments to persuade citizens to invest in corporate paper. In the light of this, if corporate managements have invented linked capital issues, they are to be congratulated rather than castigated.

Moreover, they obtained the clearance of the controller of capital issues (CCI) in the Union ministry of finance before going to the market to sell their linked corporate paper. Consequently in the final analysis, the responsibility for allowing linked capital issues to see the light of day must rest on the CCI.

It can be argued that the CCI examines a corporate capital issue proposal in the light of financial parameters rather than from the angle of whether such a proposal would breach the MRTP Act. This can be said to be the function of the Union law ministry, not of the ministry of finance. But can the CCI, by virtue of being housed within the latter ministry, absolve himself of the responsibility for the emergence of linked capital issues by companies even if, as is being contended, he had voiced his objections to such linked paper? Not really.

Despite his reported objection to linked corporate paper the CCI did not mind approving of linked capital issues by a number of companies. Seen in this context, the CCI must be held responsible for their emergence. It would be interesting if the commission was to comment on this subject while delivering its verdict on the W.S. Insulators' and related cases.

Artymon

Modest setback

Equity prices suffered a modest setback in the stock exchanges as the financial institutions withheld purchases during the fortnight ended 2nd May. Besides, the volatile situation in Punjab dampened bullish sentiment. Consequently the speculative support which was visible during the past few weeks evaporated suddenly during the fortnight under review.

Reflecting the bearish trend in equity values *The Economic Times* index of ordinary shares (1969-70=100) declined from 519.3 on 21st April to 502.9 on 2nd May — a loss of 3.15%. Similarly the *Financial Express* equity index (1979=100) moved down by 3.09% to 344.82 during the same period. Likewise the Bombay stock exchange's 'sensitive' index (1978-79=100) lost three points to close at 597.10.

The highlight of the trading during the fortnight under review was the precipitate fall in the quotation of Century, which declined by Rs. 105 (7.58%) on tired bull unloading because of reports that the company's profit in the current year ending 31st December 1986 is unlikely to be up to market expectations.

Man-made fibre equities were also distinctly bearish with the *ET* index for these scrips moving down by 5.35% to 843.4 during the fortnight ended 2nd May.

In keeping with the general trend, iron and steel equities too were depressed in the absence of speculative support. Consequently the *ET* index for these scrips declined from 1816.8 to 1797.5 during the fortnight under review. Cement equities also lost ground because cement prices in the open market continued to decline.

Engineering equities were listless in the absence of fresh inquiries, coupled with tired bull liquidation.

"If the Union government is sincere about its assertion that it wants to maintain the buoyancy in the stockmarket, it should look into the very genuine difficulties which confront the shipping and cement industries. If it does so quickly, it will enable the market to attract more investors. In the near future the government wants to raise Rs. 10,000 crores per year from the capital market. To ensure this flow of funds into the stock exchanges, the financial institutions are certain to be directed to offer their support as buyers from time to time. Hence equity prices are likely to remain steady in the near future," observes R.K. Agashe, a well-known Bombay-based stockbroker and a former banker.

S. Dhruv

BOMBAY

Name/Industries	1985 Price range High (Rs.)	1985 Price range Low (Rs.)	Dividend per share (Rs.)	Opening 21-4-86 (Rs.)	Closing 30-4-86 (Rs.)	Yield %
1	2	3	4	5	6	7
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	380.00	360.00	4.2
Bombay Dyeing (25)	156.00	63.00	1.75*	93.50	98.00	1.8
Century Spg. (100)	1530.00	805.00	24.00*	1400.00	1300.00	1.8
Century Enka (100)	1240.00	600.00	34.00	1060.00	1040.00	3.3
Garware Nylon (10)	64.00	24.50	1.80	43.00	40.00	4.5
Gwalior Rayon (10)	88.00	53.50	2.20	80.00	71.00	3.1
Indian Rayon (10)	144.00	65.00	2.40	134.00	131.00	1.8
JK Synthetics (10)	118.00	51.70	1.50	118.50	112.50	1.3
Mafatlal Ind. (125)	400.00	235.00	22.00	385.00	390.00	5.6
Nirlon (10)	73.00	37.00	2.25*	51.50	51.00	4.4
Reliance Ind. (10)	252.00	121.00	4.00	336.00	334.00	1.2
S. I. Viscose (100)	285.00	170.00	15.00	187.50	185.00	8.1
Standard Mills (100)	475.00	272.00	12.00	415.00	395.00	3.0
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	162.50	162.50	12.3
Ballarpur (10)	68.00	43.00	2.20*	57.00	56.00	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	31.00	30.50	...
Jayant Paper (10)	28.00	13.50	2.00	19.00	12.00	11.8
Orient Paper (10)	101.00	59.00	2.00	88.00	82.50	2.4
Steel						
Mukand (10)	54.00	21.75	N.A.	41.00	40.00	...
Tata Steel (100)	1255.00	379.50	21.00	1400.00	1400.00	1.5
Zenith Steel (10)	76.00	27.50	2.50	81.00	77.00	3.2
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	19.50	19.50	...
Ferro Alloys (100)	275.00	125.00	12.50	335.00	300.00	4.2
Hindustan Alum (10)	94.00	51.00	1.35*	95.50	86.00	1.6
Mahindra Ugine (10)	49.00	27.00	N.A.	30.00	28.50	...
Engineering						
Antifric Bearings (10)	50.00	21.50	1.40	20.00	19.75	7.1
Associated Bearing (100)	800.00	435.00	20.00	750.00	730.00	2.7
Atlas Copco (10)	72.00	35.00	1.20	73.00	69.00	2.9
Bharat Forge (10)	80.00	29.00	1.80*	65.00	62.00	2.9
Bharat Gears (10)	60.00	27.50	1.80	35.00	34.00	5.3
Blue Star (10)	92.50	32.50	2.00	90.00	85.00	2.4
Elecon (10)	108.00	54.50	1.70	86.00	85.00	2.0
Greaves Cotton (100)	350.00	202.50	17.00*	275.00	275.00	6.2
Hind Lever (10)	178.00	50.75	2.40	144.00	146.00	1.6
Ingersoll-Rand (10)	366.00	159.00	3.50	430.00	420.00	0.8
KEC Int. (10)	40.00	24.00	1.25	25.00	22.00	5.7
Kinetic Engg. (10)	360.00	128.00	2.50	295.00	265.00	0.9
Kirloskar Cummins (100)	753.50	500.00	15.00	595.00	565.00	2.7
Kirloskar Oil (10)	36.00	19.50	1.25	15.50	15.00	8.3
Larsen & Toubro (10)	193.00	72.00	2.40	187.00	185.00	1.3
Mahindra & Mahindra (10)	102.00	47.50	1.80*	65.00	61.00	3.0
Otis Elevator (10)	215.00	85.00	2.50	112.00	110.00	2.3
Premier Auto (100)	850.00	310.00	21.00	812.50	785.00	2.7
Pressure Cookers (10)	49.00	25.00	1.90	38.00	35.00	5.4
Tata Engg. (100)	1000.00	406.00	23.00	685.00	665.00	3.5
Voltas (100)	470.00	358.00	10.00*	265.00	250.00	4.0
Automobiles						
Bajaj Auto (100)	2075.00	855.00	30.00	2575.00	2520.00	1.2
Bajaj Tempo (10)	280.00	143.00	2.50	118.25	110.00	2.3
Escorts (10)	102.00	45.75	2.20	96.00	97.00	2.3
Motor Industries (100)	815.00	321.25	15.00	815.00	810.00	1.9
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	210.00	210.00	4.8
Bajaj Electricals (100)	340.00	115.00	20.00*	590.00	527.50	3.8
Bharat Bijlee (100)	300.00	105.00	16.00	420.00	420.00	3.8
Crompton Greaves (100)	350.00	257.50	10.00	280.00	280.00	3.6
Peico Electronics (10)	103.00	38.50	2.00	56.00	54.00	3.7
Siemens India (10)	87.50	38.00	1.40	76.00	78.00	1.8
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	50.00	50.00	24.0
Bayer (100)	480.00	320.00	18.00	535.00	505.00	3.6
I.E.L. Ltd. (10)	80.00	32.70	2.00	74.00	68.50	2.9
Colour-Chem (100)	335.00	185.00	12.00*	270.00	267.50	4.5
Cynamid (10)	80.00	35.00	25.00*	73.75	72.50	34.5
Glaxo (10)	75.00	23.75	1.80	68.00	75.00	2.4
G S F C (100)	895.00	534.00	24.00	1530.00	1530.00	1.6
Herdillia Chem (10)	67.00	25.50	1.80	43.00	41.00	4.4
Mafatlal Dyes (10)	33.00	23.50	1.70	38.00	24.00	7.1
Mangalore Chem (10)	50.00	19.50	N.A.	58.00	47.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	310.00	295.00	5.4
Indian Organic (10)	141.00	50.25	18.00*	75.00	71.00	25.4
Pfizer (10)	100.00	39.00	2.00	93.00	93.00	2.2
Polychem (50)	181.00	60.00	10.00	115.00	110.00	9.1
Sandoz (10)	80.00	31.00	1.40	73.00	68.50	2.0
Sandvik Asia (100)	575.00	340.00	10.00	685.00	630.00	1.6
Tata Chem. (10)	155.00	64.50	2.50	116.00	108.00	2.3
Warner Hind (10)	75.00	36.00	2.50*	75.00	70.00	3.6
Zuari Agro (10)	94.00	46.00	2.25*	93.00	90.00	2.5
Shipping						
Chowgule (10)	16.50	5.00	N.A.	8.00	7.25	...
Great Eastern (10)	34.00	14.25	0.70	23.50	24.00	2.9
Scindia (20)	21.50	7.00	N.A.	9.25	8.50	...

BOMBAY

Name/Industries	1985 Price range High (Rs.)	Low (Rs.)	Dividend per share (Rs.)	Opening 21-4-86 (Rs.)	Closing 30-4-86 (Rs.)	Yield %
1	2	3	4	5	6	7
Cement						
A C C (100)	610.00	380.00	20.00	251.00	243.00	8.2
Digvijay Cement (100)	230.00	180.00	20.00	200.00	200.00	10.0
Mysore Cement (10)	48.00	30.00	1.75	37.00	31.00	5.6
Raaci Cement (10)	60.00	31.00	1.80	37.00	30.00	6.0
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	200.00	197.50	8.1
Blow Plast (10)	122.00	44.00	2.50*	113.00	110.00	2.3
Colgate (10)	318.00	143.50	7.00*	222.50	215.00	3.3
East India Hotels (10)	53.00	25.50	2.00	46.00	47.00	4.3
Garware Marine (10)	33.00	14.00	1.40*	14.00	14.00	10.0
Gujarat Alkali (10)	65.00	38.00	2.50	60.00	60.00	4.2
Harri Malayalam (10)	76.00	38.00	2.50	53.00	52.00	4.8
Indian Hotels (10)	135.00	77.00	2.50	140.00	130.00	1.9
I.T.C. (10)	59.80	29.00	2.25	74.00	73.00	4.1
Lohia Machine (10)	85.00	43.50	2.00	49.00	46.00	4.3
Ponds (10)	218.00	103.00	4.50	235.00	235.00	1.9
VST Ind (10)	38.50	21.00	2.30	31.00	30.00	7.7
Wimco (10)	71.00	38.50	2.00	66.00	63.00	3.2

CALCUTTA

Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	16.25	15.00	6.7
J. K. Cotton (10)	64.00	18.00	1.20*	72.00	67.00	1.8
Kesoram Ind (10)	85.00	52.00	2.35	83.00	72.50	3.2
Jute						
Birla Jute (10)	105.00	51.50	1.85	48.50	48.00	3.9
Reliance (10)	—	—	1.75*	48.00	48.00	3.6
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	97.00	92.00	2.4
Indian Oxygen (10)	66.30	42.75	2.00*	55.25	55.25	3.6
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	20.75	20.75	7.2
Guest Keen (10)	35.25	20.00	0.50	18.75	12.50	2.9
India Foils (10)	78.00	38.75	2.00*	79.00	75.00	2.7
Macneil Magor (10)	250.00	127.00	12.00	35.75	35.75	35.6
Metal Box (10)	25.00	11.50	0.80*	18.00	16.60	4.8
Union Carbide (10)	38.00	16.75	0.50	32.50	28.00	1.8
Usha Martin (10)	48.00	26.00	1.60*	37.00	33.00	4.8
Tea						
Basmatia (10)	44.75	35.25	3.00	25.00	25.00	12.0
Brooke Bond (10)	83.00	46.50	2.50	90.00	86.00	2.9
Tata Tea (10)	177.00	64.00	5.00*	122.00	111.50	4.5
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	110.00	106.00	1.7
Davy Ashmore (10)	30.00	18.25	1.50*	28.56	28.56	5.3
English Elec (10)	114.00	70.00	3.50	112.00	120.00	2.9
Hindustan Motors (10)	127.00	37.10	2.00	56.70	51.00	3.9
Remington Rand (10)	80.00	36.50	2.00	39.50	37.00	5.4
Uni Cables (10)	65.00	26.50	1.50	72.00	68.00	2.2

DELHI

Amrit Banaspati (10)	48.00	15.00	1.20*	35.00	35.00	3.4
D C M (25)	82.00	48.25	3.75	38.85	39.00	9.6
Escorts (10)	102.00	45.75	2.20*	98.00	97.50	2.3
Goetze India (10)	61.00	21.00	1.80*	53.00	47.00	3.8
Jagatjit Cotton (10)	—	—	1.40*	80.00	60.00	2.3
Kelvinator (10)	105.00	49.00	1.60	74.00	72.00	2.2
Modi Industries (10)	87.00	16.50	1.80	N.A.	42.00	4.3
Prakash Tubes (10)	24.50	18.00	1.50	23.00	23.00	6.5

AHMEDABAD

Anil Starch (100)	225.00	147.00	18.00	240.00	205.00	8.8
Aruna (100)	200.00	105.00	15.00*	125.00	124.00	12.1
Atul Prod. (100)	667.00	311.50	20.00	496.00	474.00	4.2
Bharat Vijay (100)	255.00	167.50	10.00	220.00	230.00	4.3
Calico (125)	235.00	108.00	N.A.	99.00	121.00	...
Cellulose Prod. (100)	—	—	8.00*	90.00	89.00	9.0
Guj. Steel (100)	300.00	140.00	15.00	237.50	220.00	6.8
Mafatlal Ind. (100)	390.00	235.00	22.00	415.00	405.00	5.4
Vallabh Glass (100)	275.00	105.00	22.00*	105.00	105.00	21.0

MADRAS

Aluminium Ind. (10)	17.00	5.00	1.50*	8.25	8.25	18.2
Amrutanjan (10)	—	—	3.50	110.00	110.00	3.2
Andhra Cement (10)	—	—	1.50	25.00	22.00	6.8
Ashok Leyland (10)	58.00	25.00	1.80*	31.00	28.50	6.3
Enfield India (10)	101.00	45.00	2.00	59.00	59.00	3.4
Indian Cement (10)	46.00	20.00	2.00	29.50	27.00	7.4
Kothari Ind (10)	34.50	19.00	1.20*	15.50	15.00	8.0
Madura Coats (10)	69.00	27.25	2.50	88.00	88.00	2.8
Mysore Lamps (10)	84.00	40.00	2.50	71.00	71.00	3.5
Textool (100)	265.00	182.00	18.00	N.A.	265.00	6.8

* Latest Available

Gainers	Between 21st April and 2nd May
Bombay Dyeing(25)	+ 7.00
BASF(10)	+ 2.50
Burroughs Wellcome(10)	+ 2.50
Colgate(10)	+ 1.25
EI Hotels(10)	+ 1.00
Glaxo(10)	+ 2.00
Hind Lever(10)	+ 3.00
Haryana Petro(10)	+ 1.00
Modi Rubber(10)	+ 1.00
Mukand(10)	+ 1.50
Pfizer(10)	+ 1.00

Losers	Between 21st April and 2nd May
ACC(100)	– 6.00
Andhra Cement(10)	– 0.50
Ashok Leyland(10)	– 2.00
Ambalal Sarabhai(10)	– 2.50
Baroda Rayon(100)	– 20.00
Bihar Alloys(10)	– 1.00
Blow Plast(10)	– 6.00
Century Spinning(100)	– 105.00
Gujarat Alkali(10)	– 0.50
GSFC(100)	– 32.50
GNFC(10)	– 0.75
Gwalior Rayon(10)	– 9.50
Hind Alu(10)	– 3.50
Hind Motors(10)	– 5.50
Hind Ciba-Giegy(10)	– 40.00
Ind. Organic(10)	– 3.50
Ind. Rayon(10)	– 10.00
Indrol(10)	– 25.00
Jayant Vitamins(10)	– 9.00
JK Synthetics(10)	– 5.00
Kinetic Honda(10)	– 7.50
Larsen & Toubro(10)	– 5.50
Lipton(10)	– 5.00
Mazda Leasing(10)	– 4.00
Mahindra & Mahindra(10)	– 2.50
Metal Box(10)	– 1.00
MICO(100)	– 10.00
NOCIL(100)	– 5.00
Nirlon(10)	– 2.00
Premier Auto(100)	– 32.50
Reliance(10)	– 5.00
Siemens(10)	– 1.00
SPIC(10)	– 6.00
Standard Mills(100)	– 20.00
TISCO(100)	– 15.00
Tata Tea(10)	– 17.50
Voltas(100)	– 10.00
Zenith(10)	– 3.00
Zuari Agro(10)	– 2.00

Indian commodity prices

Commodity	Variety/Centre	1985 High	1985 Low	Prices as on April 18, 1986	Prices as on May 2, 1986
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	275.00	275.00
Rice	Sela-Hapur	319.00	261.00	289.50	299.00
Gram	Desi-Bombay	607.50	437.50	487.50	460.00
Sugar (per quintal)	C-30, Bombay	783.00	475.50	620.00	643.00
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	16,408.00	13,962.00	16,120.00	16,484.00
Mustard (tin)	K-Ghani-Delhi	197.50	174.50	196.00	210.00
Coconut	Cochin	31,750.00	14,700.00	19,000.00	21,300.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,700.00	5,700.00
Angles	75x75x6mm	6,900.00	5,550.00	6,400.00	6,400.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,600.00	4,615.00
Lead	Bombay	1,265.00	1,210.00	1,460.00	1,450.00
Ferrous scrap (per tonne)					
Heavy melting	No 1 Bombay	2,500.00	1,950.00	2,800.00	2,750.00
Re-rollable	Bombay	4,325.00	3,275.00	4,275.00	4,250.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	180.00	175.00
Caustic	Flakes	385.00	300.00	380.00	350.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	60.00	58.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on April 18, 1986	Prices as on May 2, 1986
Gold	London	$/ounce	340.75	343.10
	Zurich	$/ounce	340.50	343.40
	Hong Kong	$/ounce	340.00	340.80
Silver	New York	Cents/ounce	540.50	510.00
Copper (w.bar)	London	£/tonne	954.00-956.00	911.00-913.00
Soyabean oil	Chicago	Cents/pound	18.50	18.65
Palm oil	Malaysia	$/tonne	835.00	535.00
Castor oil	Rotterdam	$/tonne	860.00	855.00
Black pepper	Singapore	$/quintal	825.00	820.00
Rubber	Malaysia	$/tonne	202.00-204.00	179.00-180.00

Rayon yarn price war

A marked fall in viscose rayon yarn as well as cotton yarn prices were the features of trading in the indigenous commodity markets during the last fortnight ended 2nd May.

Fibre, yarns. Viscose rayon yarn prices fell sharply again in the wake of a renewed price war between Century and National Rayon. The quotation for 150 denier NRC bright yarn tumbled down by around Rs. 2 to Rs. 24 per 454 gm.

Cotton yarn prices, particularly of coarse counts, also suffered a sharp setback on account of larger supplies in the face of poor offtake. The offtake from Bhiwandi was considerably reduced on account of Maharashtra Day. As is well known, because of the bloody riots during these celebrations a couple of years ago, many weavers leave Bhiwandi for about a month during this period.

Foodgrains. While wheat prices ruled quietly steady, rice prices tended to move up on shippers' support. Among pulses, gram prices turned easy on account of new crop arrivals into the market.

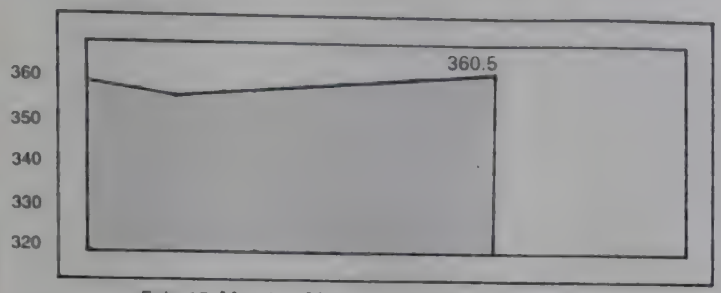
Oil, oilseeds. Coconut oil prices registered a marked upswing on account of widespread demand at lower levels. The prices of groundnut and other edible oils also tended to look up because of reduced supplies and the government's decision to slash imports.

Sweetening agents. Sugar prices moved up again following New Delhi's announcement that imports will be reduced sharply this year. *Gur* prices exhibited a quietly steady trend.

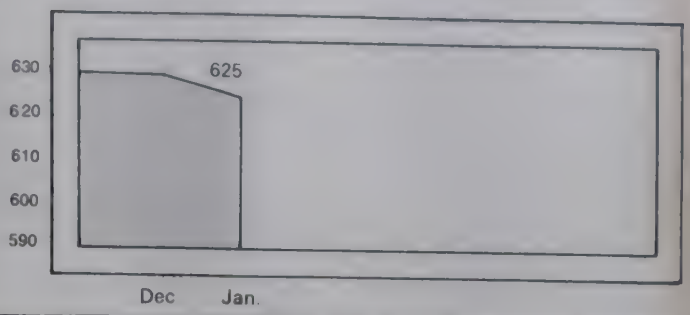
Cement. With production rising without a corresponding rise in demand, cement prices remained weak. Most cement manufacturers are reported to be nursing huge stocks and this has put prices under pressure.

Steel, metals. Steel prices tended to react modestly as stockists turned sellers following the announcement from New Delhi that the government is unwilling to sanction any price increases at this juncture.

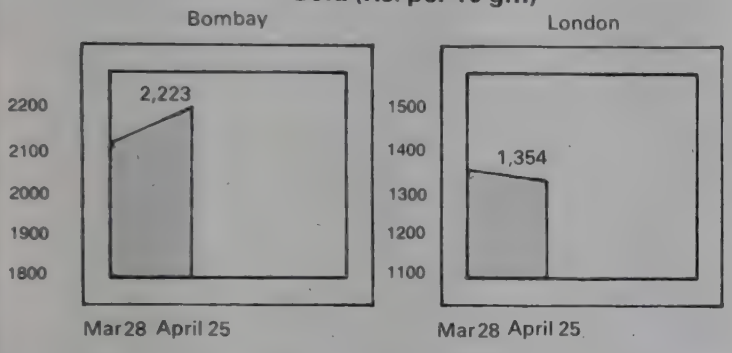
Wholesale Price Index (1970-71=100) 1986



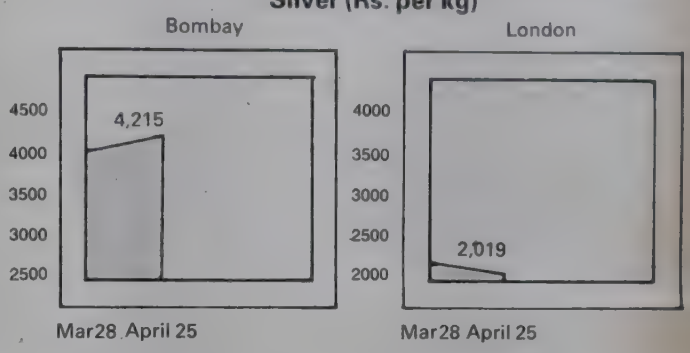
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 22nd April 1986

	One month	Three months	Six months	One year
Sterling Pound	10.88	10.31	9.88	9.56
US dollar	6.88	6.75	6.75	6.75
West German mark	4.69	4.50	4.44	4.44
Japanese Yen	4.81	4.81	4.69	4.69

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 April 19	1986 April 18
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

*Money Supply (M3)	(Rs.crores)	% change over	
April 11, 1986	1,19,196	Fortnight	+1.7
March 28, 1986	1,17,149	Year	+16.2
April 12, 1985	1,02,630	Two years	+34.9

** Aggregate Deposits	(Rs.crores)	% change over	
April 11, 1986	88,069	Fortnight	+1.0
March 28, 1986	87,204	Year	+18.2
April 12, 1985	74,518	Two years	+39.5

*** Foreign Exchange Reserves	(Rs.crores)	% change over	
April 11, 1986	5,710	Fortnight	+5.3
March 28, 1986	5,423	Year	−1.5
April 12, 1985	5,796	Two years	+25.4

Bank credit	(Rs.crores)	% change over	
April 11, 1986	81,192	Fortnight	+8.0
March 28, 1986	80,546	Year	+15.5
April 12, 1985	70,318	Two years	+34.7

Foreign Exchange Rates (Spot) 1986 Buying Rs.

	1986 April 25	1985 April 26
One P. Sterling	18.81	15.16
One US Dollar	12.24	12.61
One D. Mark	5.56	4.01
One hundred J. Yen	7.22	4.99

CSO Index of Industrial Production (1970=100) 1985

April	191.6	October	202.4
May	193.6	November	206.4
June	192.6	December	222.0
July	198.5	**1986**	
August	196.5	January	224.0
September	201.2	February	214.3

Notes. * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*

** *Demand deposits plus time deposits with all scheduled banks*

*** *Including SDRs, excludes gold coins*

Uncomfortable bedfellows

There is a curious irony in the predicament in which C.S. Samuel, president of Brooke Bond India Ltd., finds himself today. In the mid-seventies, probably aware that his chances of moving to the apex level position in Hindustan Lever Ltd. (then dominated by corporate heavyweights such as V. G. Rajadhyaksha, T. Thomas and S. Vardarajan) were remote, Samuel wisely signed up with Brooke Bond in which company he has duly risen to the position of chief executive.

Yet by a curious turn of fate with Hindustan Lever's London-based parent Unilever plc having taken over Brooke Bond Liebig, London in October 1984, the two Indian companies have become somewhat uncomfortable bedfellows. Though thus far the HLL management has adhered to a hands-off policy vis-a-vis Brooke Bond, according to reliable sources in Bombay this phase of separate but equal co-existence is about to end with the HLL top brass having persuaded Unilever to appoint HLL's vice president (commercial) P.J. Mathew Panicker the next president of Brooke Bond.

The fact that personal relations between Samuel and the HLL top brass have traditionally been chilly apart, this move has not been well received in Brooke Bond which is currently under investigation for alleged FERA violations. Brooke Bond managers reportedly believe that given HLL's intimate connection with Lipton India Ltd., which together with Brooke Bond controls a 90% share of the national packaged tea market, this move is likely to invite the unwelcome attention of the MRTP Commission.

The good and excellent

Quite clearly the day of the stags in the stock exchanges is over. A large number of new equity issues which hitherto had been snapped up by enthusiastic stags have fared disastrously in recent times in mobilising public subscriptions. Just how badly is indicated by the fact that the public issue of Raasi Finance promoted by the highly respected management of the Hyderabad-based Raasi group of companies was subscribed to the extent of only 15%-20% of the shares issued.

The public issues of Kamanwala Housing (30%) and Planters Polysack (60%) fared only marginally better. Other companies such as Navalco India, Empire Leasing, Mangalam Timber, Punsumi India, Galaxy Power Cables and Oriental Containers which went public recently also experienced poor investor response.

Indeed, so precipitous is the decline in investor interest in corporate paper that even the rights issue offer of Peico Electricals (Philips India) in which equity shares were offered at half the current market rate, had to be extended to almost three weeks.

The upshot of this development is that corporate managements which have been giving public financial institutions a wide berth because of the latter's insistence on the conversion clause, will now have no option but to line up outside their doors. The Indian investor is in the process of separating excellent managements from the merely good.

Price of technology

Are Japanese businessmen taking their Indian counterparts for granted and/or for a ride? Some technical collaboration proposals submitted by Indian paint companies to the Union government for approval seem to suggest as much.

To start with, when the major Japanese paint manufacturers Nippon Paint Co. and Kansai Paint Co. recently signed collaboration agreements with Asian Paints and Goodlass Nerolac, the former agreed to provide knowhow only for the dated anodic electrodeposition (AED) system of paint application. Both these Japanese heavyweights resolutely declined to part with technology related to the more corrosion-resistant cationic electrodeposition (CED) coating system despite the fact that they were charging the Indian hi-tech supplicants a pretty penny.

Kansai Paint is reportedly willing to transfer CED technology to Goodlass Nerolac but at a stiff price of $800,000 (Rs. 96 lakhs) spread over five years. The Union government is still mulling over these proposals even as not-so-subtle pressure is being imposed from across the eastern seas. Yet the ministry of industry is reportedly undecided on this issue because the UK-based Berger group has already indicated its willingness to transfer CED technology to the group's Indian associate Berger Paints India Ltd. without any further charges beyond the $256,000 (Rs. 30.72 lakhs) already received as lumpsum royalty in 1984 for transfer of AED technology. The powers that be in New Delhi are said to be debating whether Japanese companies ought to be asked to give CED knowhow under existing agreements and without further charge.

Yet it is a moot point whether the government will muster up the courage to square up to the all-conquering — and very clannish — Japanese.

GEC's succession troubles

Corporate circles in Calcutta are abuzz with speculation as to who will fill the now vacant managing director's slot in General Electric Co. of India Ltd. (GEC). As is well known, Dr. M.D. Shukla, the fast track former BHEL and Voltas top level executive, was sacked last December after a stint of exactly six months and a day as managing director of this Calcutta-based company. Since then, the GEC management has mounted a massive manhunt for a replacement but several senior managers who have been propositioned by GEC chairman Dr. R.S. Mamak have declined the offer. Peter Higgins, director of GEC plc, London has also spent considerable time in India in recent weeks reportedly to finalise the choice.

According to reliable sources in Calcutta, Mamak and Higgins are working on a short list containing the names *inter alia* of Hemant Singh (managing director, Bharat Aluminium Co.), Kuldip Puri (managing director, Metal Box), A.C. Puri (ex-managing director, Alfred Herbert) and V.K. Parashar (chief executive, Stone Platt Electrical India Ltd.). In the meanwhile, Mamak's already announced plan to retire in Blighty originally scheduled for last March, have been postponed until the end of June. Not surprisingly an air of uncertainty permeates the managerial ranks in GEC.

In the absence of meaningful personnel policies and succession plans in the GEC group some problems are likely to arise in the future as well. In mid-1987 the incumbent managing director of Genelec Ltd. P.L. ('Hurricane') Roy is due to retire, but there is no clue yet as to who will succeed him. Similarly, A.K. Khosla has given up the managing directorship of English Electric now that he is scheduled to take over the position of group chairman of GEC from Mamak. Again, English Electric too is without a natural successor. The indications are that both Genelec and English Electric will have to induct personnel from without into their chief executives' offices.

troducing Eveready Super
th advanced Zinc Chloride technology
per charged for maximum power and life



Eveready presents a new generation of high technology Zinc Chloride batteries.
New Eveready Super.
Eveready Super's advanced technology is designed to give you unmatched performance in your power-hungry modern machines like two-in-one, cassette recorder, Walkman, electronic toy and photoflash.
In your modern machines nothing outlasts Eveready Super.

New Eveready Super

Designed just for your modern machines.

you just can't beat a BAJAJ



The scooter that's clocked more than 10 million years on Indian roads

Sounds unbelievable, doesn't it? But it's a fact. There are nearly 2 million Bajaj scooters on the road today. Even considering just 5 years per scooter — and there are quite a few 18-20 year old Bajaj scooters — gives that 'unbelievable' figure — 10 million years!

All those millions of years on every possible type of road — city roads, 'kuchcha' roads, sometimes no road at all.

Ask any of those 2 million Bajaj owners and they'll tell you:

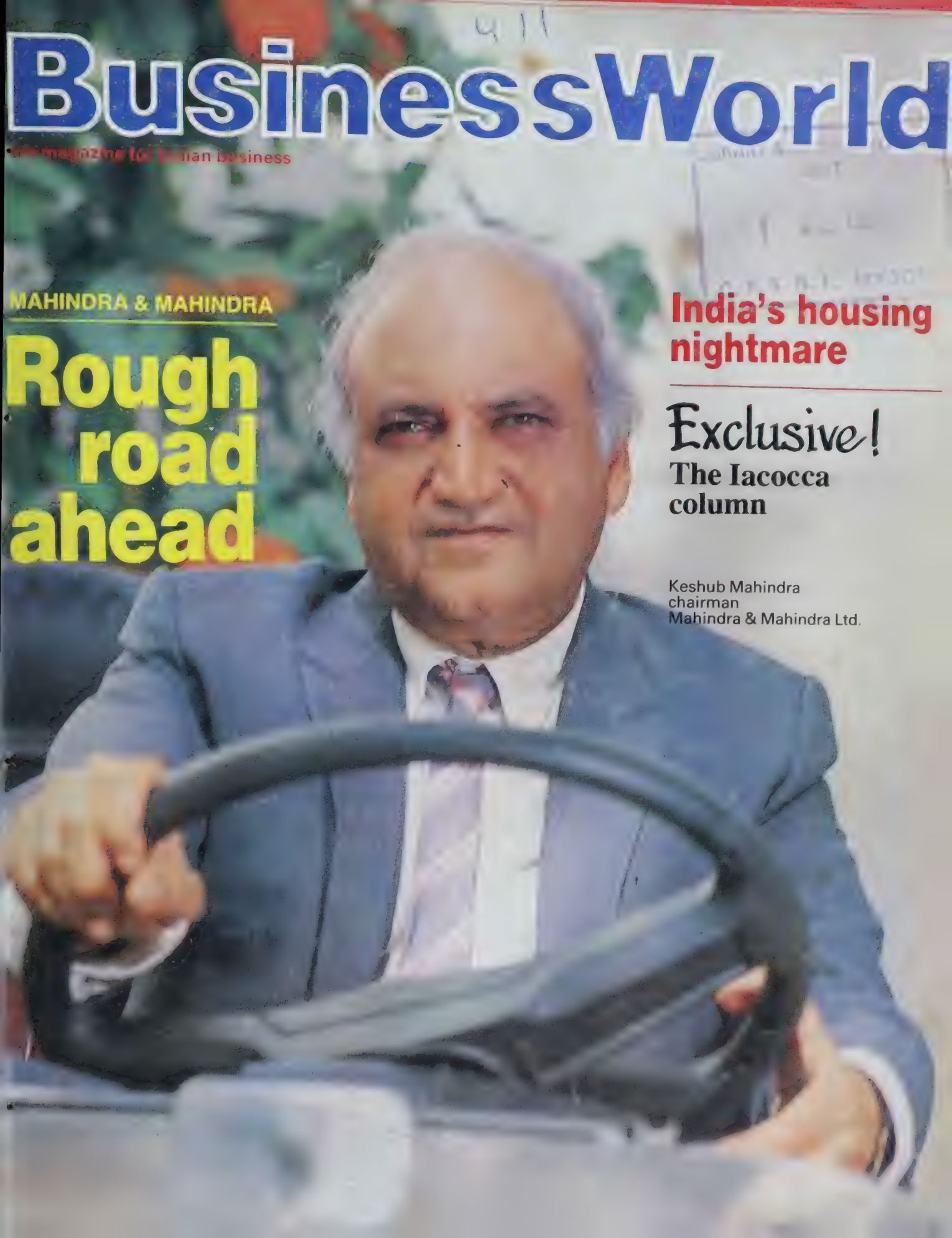
You just can't beat a Bajaj!

bajaj auto

Akurdi, Pune 411 035

BusinessWorld

magazine for Indian business



MAHINDRA & MAHINDRA

Rough road ahead

India's housing nightmare

Exclusive!
The Iacocca column

Keshub Mahindra
chairman
Mahindra & Mahindra Ltd.

Full featured ★ Super

DCM TYPESTAR-I

an electronic Typewriter par excellence

You get what you need ... at a price hard to beat.

The DCM Typestar-I is what an electronic typewriter should be. Up to-date. Practical. With a full set of conveniently usable features. And a very attractive price tag. No unnecessary frills to make you pay more for features that your Secretary may never require.

Designed to fit into the office of the future.



If and when you need more sophisticated capabilities the DCM Typestar-I can even work as a computer printer as it comes with a built-in computer interface.

Backed by the leader in office automation.

With the DCM Typestar-I you have the assurance that it comes from a Company with over a decade of experience in supporting and servicing similar equipment through a countrywide network of service centres.



DCM Typestar-I—brought to you through a national network of dealers.

No wonder, over 4 100 of these superior machines have been sold within days of their introduction.

Write to: Mr. Rohit Gandhi
DCM data products,
Vikrant Towers, 4, Rajendra Place,
New Delhi 110 008. Cable: 'DECEMDEPP'
Phone: 5719967, Telex: 61830



From India's leading computer company DCM

VOLUME 6, ISSUE 5, MAY 26 — JUNE 8, 1986

BusinessWorld

the magazine for Indian business

Editor
Dilip Thakore
Assistant Editors
Debjani Sinha
Michael Neri
Special Correspondent
Binu S. Thomas
Calcutta
Special Representative
Sujoy Gupta
Delhi
Anand P. Raman
Bangalore
N. Raghavan
London
Seetha Kumar
Sub-editor
Indira Khanna
Art Director
Bipul Guha
Production
Mohan Nair
Layout
Mohan Nair
Hajoo Aslam E.

☐Editorial office
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone: 221178 & 241083

☐Head Office & Regd. Office
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700 001
Telephone 278000 & 274880

☐Regional Offices

Bombay
145, Atlanta
209, Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone 240581, 241083

Delhi
1/7 IENS Bldg
Rafimarg
New Delhi-1
385401 Ex. 37
383058 (Editorial)
Phone 389078 (Advtg)

Madras
Dents Garden, 18, Pattulos Road,
Madras 600 002
Phone 89379 & 81713

Bangalore
14, Madras Bank Road
4th Floor,
Bangalore 560 001
Phone 568227 & 568228

London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC 4
Telephone 01-353-1821

Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

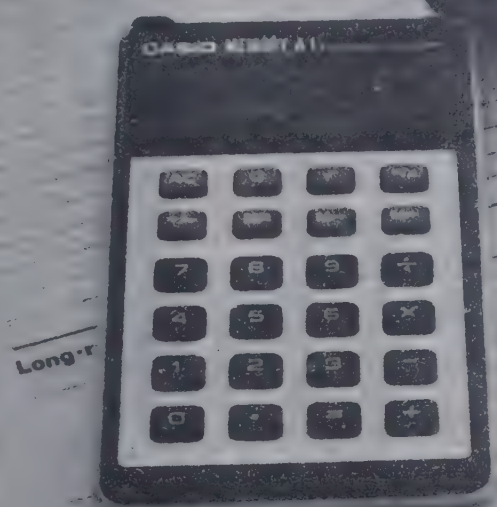
BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakraborty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

Why not save 20%

Money back guarantee

We are confident you will enjoy **BusinessWorld.** Confident enough to refund your entire subscription within two months if you are not satisfied.



Send me the following issues of

BusinessWorld
the magazine for Indian business



My cheque is enclosed

Mail my copy to _____

Name _____

Address _____

State _____

Pin code _____

Subscription Rate (In India)

One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

Please draw cheque in favour of
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700 001

Rs 3 extra for outstation cheques

Please tick
☐ One Year
☐ Two Years
☐ Three Years

Compute the difference between the latest international data processing systems and SCADA from HBB...

It amounts to zero.



When the Railways and Electricity Boards around the country decided to install the HBB SCADA Systems, they had some very valid reasons for doing so.

Because SCADA is the latest generation electronics and data processing systems available in the world. Brought to India from BBC of Switzerland.

Consider the simple fact that SCADA makes the exhausting task of data collection, transmission and processing, simple and easy. Saving hours of precious time. Vital time.

And for SCADA this job is easy. Since it is based on modern computer and microprocessor technology. It works just one way. FAST.

Within a fraction of a second all the necessary information is transmitted from the source to the main control system, where it is acquired and processed within seconds.

Everytime a problem crops up, SCADA makes sure you have all the information and data needed to find solutions. Immediately. On the spot.

And the real beauty of SCADA is that it is based on a modular design. Which means it can be expanded constantly. Simply by adding on the number of remote stations and widening the reach of SCADA. So when your services grow, SCADA grows too.

Any service or process industry, spread over a vast geographic area, needs SCADA. Take Process Control, Building Automation, Electricity Boards, Water Supply, Gas Distribution, Traffic Control. And many, many more. They can have every bit of information that's accurate, complete and clear. If time, efficiency and accuracy are imperative, put SCADA on your pay-roll now.

SCADA. Putting a world of information at your fingertips.

BBC
BROWN BOVERI
Hindustan Brown Boveri Limited
Electronic Systems Department

Brown Boveri House
Race Course Circle
Baroda 390 007

HBB. For the latest generation Electronics.

The remarkable roll-back of Mahindra & Mahindra (M&M) — the country's largest automotive four-wheel vehicle manufacturing company (in terms of units manufactured) — from the brink of disaster in the mid-seventies is one of the great indigenous case histories of corporate recovery. Yet the details of this particular case history have never been published for the benefit of India's growing community of professional managers.

The reluctance of the company's low profile chairman Keshub Mahindra to agree to an interview until an opportune moment had frustrated this particular ambition. Nonetheless, Mahindra's reluctance was explicable. In 1979 when the anti-industry George Fernandes was Union minister of industry and the push-me-pull-you Janata government ruled the nation, Mahindra was right in the eye of a minor storm when he quit his executive chairman's position in Mahindra & Mahindra on the issue of a government imposed cut in his remuneration. Hardly had the dust of the managerial remuneration controversy raised by his resignation settled when, despite being the non-executive chairman of Union Carbide (India) Ltd., he was quite wrongly arrested in Bhopal in the aftermath of the Bhopal gas leak tragedy of December 1984.

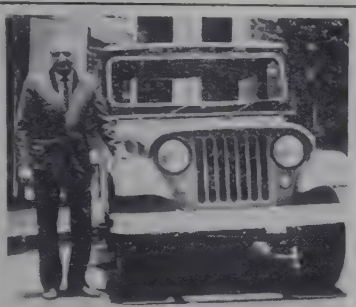
That Mahindra readily agreed to be interviewed and provided *BusinessWorld* full access to the company's managers at all levels, speaks volumes about the new business environment created by the Rajiv Gandhi administration. Of course, there is another development also which could have prompted Mahindra to speak to *BusinessWorld*: for the first time in four decades, M&M is diversifying out of the automotive industry. Late last year, the company signed three collaboration agreements with well-known foreign firms to enter the oil drilling services, and EPABX (electronic private automatic branch exchange) systems and information technology and telecommunications equipment manufacturing businesses.

This fortnight's spotlight story is on a subject of no less importance. Even as film actress Shabana Azmi and film director Anand Patwardhan launched their fast in support of a group of slum dwellers uprooted from government owned land situated within walking distance of this office, our assistant editor Michael Neri filed a report on the national housing shortage which is assuming nightmarish proportions.

Aroon Shourie

Cover transparency by S. Chandrashekar

IN THIS ISSUE



42 M&M's rough road ahead
Confronted with intensifying competition in its traditional business, Mahindra & Mahindra, the automotive four-wheeler manufacturing behemoth, is diversifying its operations. The next few years could be a crucial time in the history of the 40 year old company.



70 India's housing nightmare
The growth in demand for housing continues to outstrip the growth in supply by leaps and bounds. An estimated 56% of the population is faced with the prospect of life without adequate housing by the turn of the century. *BusinessWorld* reports.

13 Hobson's choice
M.V. Kamath is a former editor of *The Illustrated Weekly of India*.
15 Capital-output malaise
A.V. Rajwade is a Bombay-based consultant in international finance and foreign exchange risk management.
23 Production index lacunae
R.J. Venkateswaran is a Calcutta-based management consultant.
26 Undervalued assets
H.P. Ranina is a well-known Bombay-based advocate.
32 Talking sense on oil
Lee A. Iacocca is president of the Chrysler Corporation, USA.
40 Banks' priorities
Ashok Hingorani is a Bombay-based software consultant.
58 Trailer transportation
P.V. Satyanarayana is a Bombay-based management consultant.
61 Marketing morality
Walter E. Vieira is a Bombay-based management consultant.
69 Alternative news
Darryl D'Monte is a former resident editor of the *Indian Express*, Bombay.
88 Uncomfortable summit
Jurek Martin is a correspondent of the *Financial Times*, London.
95 Metals: the Carnegie report
Hamish McDonald is a correspondent of the *Far Eastern Economic Review*, Hong Kong.

5 Editorial
6 Letters to the Editor
8 Last Fortnight/Next Fortnight
13 Political Comment
15 Banking & Finance
15 Business News
23 Economic Comment
26 Taxation
27 In the News
32 Management
37 Careers
39 The Professionals
40 Computers
42 Cover Feature
58 Business Opportunities
61 Marketing
62 Book Serial
69 Mediatrends
70 Spotlight
88 Letter from Tokyo
88 International News
95 Letter from Sydney
98 International Briefs
99 Company News & Events
103 Investment
106 Stockmarkets
108 Commodities
109 Economic Review
110 Offstage

PHILIPS

For 25 years we've built audio communication systems for industry.

The best of these now become our standard.

When an industry relies heavily upon speedy and intelligible communications, selecting the correct communication system is of utmost importance

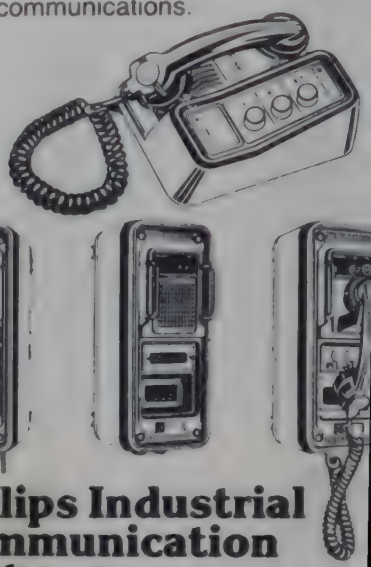
Philips, with 25 years' experience in building audio communication systems for India's heavy industries, now offer you a versatile system that meets the needs of your industry

It comes in the form of 5 types of stations which can be configured to suit your requirement. Its modular configuration, distributed amplifier and parallel cabling methods enable you to start with a small system and build it up as your industry grows

This 2-channel communication system provides special facilities useful in industrial set-ups. Electronic switching and modular construction ensure high system reliability and reduced down time. Advanced technology ensures every station is compact, sturdy and corrosion resistant in order to withstand hostile environmental conditions.

And when you buy Philips, you get the expertise of the leader in the field of audio communications.





Philips Industrial Communication Systems

Yes, I'd like more information on the Philips Industrial Communication System. BW

Name:_____

Designation:_____

Company:_____

Address:_____

Phone:_____

Please send to:
Philips India, ELA Dept.,
Block 'A', Shivsagar Estate,
Worli, Bombay-400 018.

Philips – the trusted Indian household name for over fifty years

The Union Carbide case: the victims deserve primary consideration

The ruling by Judge John F. Keenan of the New York district (USA) court which heard the representative suit filed by the government of India against the US-based Union Carbide Corporation (UCC) in the Bhopal gas leak disaster case to the effect that the Indian courts are the appropriate fora to hear the case, is a sound judgement. The argument that a tort action for negligence was maintainable in the US courts because UCC owns a majority equity shareholding in Union Carbide India Ltd. (UCIL), from whose premises the deadly methyl isocyanate (MIC) gas escaped on the night of 3rd December 1984, and/or because UCC had supplied faulty plant designs to UCIL, was never convincing.

Weighty legal questions such as the desirability of piercing the corporate veil apart, purely from the point of view of administration of justice — visiting the plant, summoning witnesses and an acquaintance with the local language in which witnesses would be inclined to depose — argued for the hearing of the action as near to the scene of the tragedy as possible.

In the circumstances, the abject abnegation with which the Union government pleaded a lack of faith in the Indian judicial system's ability to adjudicate the case, projected a sorry spectacle. True, the judicial system in this country is in deplorable shambles. Yet this is not the consequence of the quality of the judges who man the upper reaches of the judiciary — most of whom display rare erudition and a firm grasp of substantive law and procedure — but of the deliberate weakening of the judicial superstructure by a succession of unprincipled politicians since the mid-sixties.

Fortunately, this cringing plea before an American court has been rejected. Yet some good has flowed from Judge Keenan's judgement which will facilitate the expeditious hearing of the case in this country. For one, Judge Keenan has made it mandatory for UCC to accept the jurisdiction and verdict of the Supreme Court of India in the final analysis. To this extent, the New York district court has already accepted the need to pierce the corporate veil of UCIL and hold its majority shareholder UCC jointly and/or severally responsible for the Bhopal tragedy. Secondly, it has been made mandatory for UCC to deliver such documents as any competent Indian court of law may require for inspection and the conduct of the case.

Multinational-bashing lobby

In retrospect, it is quite clear that the Union government was intimidated into filing a substantive suit in the US by several pulls and pressures which it would have done well to resist. For a start, it played right into the hands of the loud, left-dominated multinational-bashing lobby for whom the Bhopal gas leak disaster provided a unique opportunity to indulge in their favourite pastime.

Looked at in its correct perspective, the Bhopal gas leak tragedy was one of those disasters which is the price that any society — particularly a developing nation like India which places considerable emphasis on technological self-reliance — has to pay for industrial progress. While to argue as much is not to minimise the scale of the tragedy or the grave injury caused to thousands of innocent citizens, it is absurd to argue, as most MNC bashers do, that UCIL or UCC managers were deliberately negligent in managing or designing the Bhopal plant of UCIL. American laws and the courts are much too punitive in the matter of negligence, particularly with regard to industrial accidents, to permit such casual attitudes in the parent company, i.e. UCC, whose attitudes and corporate culture undoubtedly shape those in UCIL.

Quite clearly something went drastically wrong in UCIL's pesticides manufacturing plant on the night of 3rd December 1984. But tragic as they are, such accidents do — and will continue to — happen as human beings the world over devise new technologies to facilitate the production of downstream mass consumption goods and services. A case in point is the recent nuclear power plant disaster at Chernobyl in the Soviet Union. It is arguable that the negligence of the management of the Chernobyl nuclear power plant and the Soviet government — which failed to warn the governments of neighbouring countries about the dangers of radioactive fallout — far surpasses that of the UCC and UCIL managements. But in this case, the leftists in Parliament and the media who so vociferously led the anti-UCC charge are conspicuously silent.

Looking back, it is quite obvious that the manufactured hysteria which soon degenerated into a witch-hunt in the aftermath of the Bhopal disaster, had a purpose other than ensuring that those directly or indirectly injured by the escaped MIC received prompt and adequate rehabilitation compensation. The quest for punitive and exemplary damages which would drive this MNC into bankruptcy and perhaps lead to the imposition of further curbs on the MNCs doing business in India, became the primary objective of the majority of the self-appointed spokesmen of the dead and injured of Bhopal. Regrettably the government of India, which as judicial precedents clearly indicate, places very little value on the lives of its citizens, was driven to a foreign court and to denigrate its own reputable judiciary by the manufactured hysteria of the anti-MNC lobby.

Contributory negligence

Now that the wisdom of a foreign judge has restored the case to its rightful forum, the onus is on the Union government to accord the welfare of the victims of the Bhopal disaster and their dependents primary consideration. The first attempt must be in the direction of a negotiated settlement. UCC is known to have offered $350 million while the Union government is reportedly holding out for twice the amount — a scale-down from its earlier demand of $1 billion. If UCC can be persuaded to renew negotiations at $500 million (as advocated earlier by *BusinessWorld* — cover feature, May 27-June 9, 1985), a negotiated settlement which would speedily provide the long overdue relief to the victims of the tragedy is possible. A negotiated settlement would also get the Union and state governments off the hook for the charge of contributory negligence which is undoubtedly sustainable. If however a negotiated settlement proves elusive, enabling legislation should be passed by Parliament authorising the case to be tried directly by the Supreme Court.

But whether a negotiated settlement is hammered out or the Supreme Court awards damages, care should be taken that the distribution of the compensation amount is entrusted to a body of unimpeachable citizens supported by a full-strength secretariat. Under no circumstances should the distribution of the compensation be entrusted to either the Central or state government machinery which has a deserved reputation for snatching food from starving children.

Smart characters

SIR—With reference to your Cover Feature'The pleasures and perils of the job hoppers' fraternity' (*BW* April 14-27), I would like to add a few points.

The people responsible for filling organisational vacancies tend to ignore those aspiring for promotion from within the organisation. This happens because while the shortcomings of existing personnel are taken into account, their relative strengths are ignored. The outsider cooks up stories and gets in. The management realises later that the job hopper also has his shortcomings. By this time a regular job hopper is in the process of changing his job again. A chain reaction sets in when those who were aspiring for promotion and were overlooked, also become job hoppers.

Secondly, undoubtedly job hoppers are result oriented and can catalyse change, but they tend to enter a company with the attitude that 'all that exists is bad and must be changed.' They introduce changes in haste just to create a feeling that something is happening. They talk of the long-term benefits of the changes being introduced by them without defining their own role in the organisation. Their head and heart seldom belong to the organisation they work for.

Job hoppers are smart characters and given the regular experience of attending interviews, are able to highlight their qualities which may or may not exist. This being so, they are never scared of finding at a later stage that the job they just switched to was not suitable. Because as soon as they realise this, they change again.

All organisations want growth. But what kind of growth—of their financial figures or their employee turnover? If it is the former and not the latter, then do they really keep this in mind while inviting a job hopper to join their organisation?

Anand Mudgal
Delhi

Baseless innuendos

SIR—Apropos Sujoy Gupta's Cover Feature on job hoppers (*BW* April 14-27), I would like to comment as follows:

The language in the article "that the term in office of Mr. Ramesh Sarin was being cut short" and also "no merit-based performance evaluation could have led to achievers like Sarin or Shukla being shown the door..." gives an impression that these two top-fliers were directed to quit. There is hardly any basis for such innuendos. They resigned on their own initiative: they were not told to leave.

The article generalises the issue of job hopping on the basis of just two senior level resignations. If one goes by the number of job advertisements for senior positions in newspapers and journals, there is no sign of hesitation in recruiting from outside organisational boundaries. And as the article says, with the growth in industrial output, the number of job hoppers will only increase!

There is yet another facet of job hopping which is not covered in the article. Quite a few potential job hoppers do not join a new organisation after going through the entire selection process! Instead, they use the offers to get promotions in their own organisations. After all, changing a job means building up a rapport, understanding new styles, new people, new systems, etc.—a new adjustment altogether. One should highlight this aspect of job hopping, where the recruiting organisation spends a lot of time, energy and money—all in vain.

Praveen Kumar
Thane (Maharashtra)

The other side

SIR—I was highly surprised by your rather one-sided Cover Feature on job hopping (*BW* April 14-27). By praising Mr. Sarin and Dr. Shukla for their "impeccable credentials" and "impressive track records" to the sky, you have done a great injustice to Mr. Tobaccowalla and Dr. Mamak, without hearing their sides of the story for the abrupt dismissal of these two "professional managers." I am sure both these gentlemen will not discuss in public the reasons for giving the marching orders to their chief executives and will leave it to these managers to publicise their reportedly glorious track records. Yet, both Mr. Tobaccowalla and Dr. Mamak have even more impeccable track records than their dismissed managers.

In this connection it is interesting to read the article by Dr. P.N. Singh on young MBAs, published in the Bombay Management Association's magazine *Ambit* (March 1986). Many of the remarks apply to professional managers as well.

Whereas you seem to conclude that a change for "personal development" prevents stagnation, a dismissal by an employer is regarded as nothing less than a sin. Besides, managers with good previous track records in one or more companies may not be as successful in another company. But your article seems to argue that they will always be successful in any environment.

Many of the professional managers you have named in your article, including Mr. Sarin and Dr. Shukla, were working for successful companies which reflected their glory on these managers' track records. How many of these "professional managers" with "enviable track records" are prepared to leave their cosy offices and take on the challenge of turning around sick companies in the private or public sectors? Kindly show me such examples.

I suggest you write a cover feature highlighting the experiences of owner-industrialists vis-a-vis "professional managers." I am sure your readers will be interested in knowing the other side too.

R.K. Hirlekar
Pune

New liberalism needed

SIR—This refers to the Political Comment article 'A generational divide' by Dilip Thakore (*BW* April 14-27). Girilal Jain has erroneously described Rajiv Gandhi's policies as "Swatantra politics." The Swatantra policy is based on a liberal philosophy which takes into account the totality of a liberal system—not just the economic component, as is currently under experimentation by the Central government.

Incidentally, Girilal Jain, in the same article, has also described Rajiv Gandhi's policies as "Reaganomics." This shows a lack of awareness of the difference between various political systems. Liberalism as practised by the Swatantra party is closer to the policies followed by the opposition (Democratic) party in the US and is different from the policies followed by Reagan's Republican party.

The failure of Rajiv Gandhi's policies lies in the inherent incompatibility of the new economic order with the old socialist framework. Further, the Congress(I) (which introduced the word "socialist" in the preamble to the Constitution) is hardly the instrument which will bring about a change from socialism to liberalism, considering its ideology, corruption and vested interests.

The opposition parties are also wedded to socialism in differing degrees. After the dissolution of the Swatantra party in 1974, there is no single political platform available to Indian liberals. This void in the Indian political scene

should be filled without delay.

Finally, I fully agree with Thakore's statement that "attacking the Swatantra bogey might strike an emotionally responsive chord, but a moment's reflection will indicate that there is no workable alternative economic development model within the democratic framework." A new, genuinely liberal order, adapted to the Indian situation, is the need of the day.

Naozer Aga
Bombay

Major goof-up

SIR—This refers to the *BusinessWorld* issue dated April 14-27. I am surprised, if not shocked, to note that my photograph has been published in a Business News article titled 'Shipbuilders' storm' and that I have been referred to as "Mr. Kumar." I fail to understand how *BusinessWorld* can make such a major goof-up.

Please make amends by crediting my name to my photograph.

R. Jairaj
Sales manager (office products)
National Radio & Electronics Co. Ltd.
Bombay

Mr.Jairaj had been interviewed by Mr.V. Acharya—now no longer with BusinessWorld*—for a Spotlight story on Modi Xerox (*BW *March 3-16). Quite obviously he mixed up the photos. We regret the embarrassment caused to Mr. Jairaj*—Editor

Splintered pride

SIR—I have read with great interest the Management articles by Lee Iacocca and also the comments on the Letters page by Mr. Dipen Ghosh (*BW* April 14-27) thereon. I agree with Mr. Ghosh that we Indians are not proud of India, but the cause for this lack of self-esteem lies not with the British, but within ourselves. Let's stop this Britain baiting and leave them in peace!

True, we are not proud of being Indians. But we have Telugu pride, Maratha pride, Tamil pride, Bengali pride, etc. In short, we have not integrated ourselves emotionally but have splintered ourselves into ethnic groups by the linguistic division of the states.

Now what has happened is the 'government quarters syndrome.' For example, a person living in Bombay feels he is an alien if he is not Marathi speaking and in turn he does not put his whole and soul into the national interest, just as an occupant of government quarters cares two hoots about the upkeep of his tenement because he does not have the sense of possession.

Gandhiji has said that India lives in its villages. But what is seen now is that India consists of the four metro cities only. Other places are totally ignored. That's why people like Mr. Pillai of Kerala raise their ugly heads, demanding a 'Punjab type' agitation in Kerala. Obviously, a state with the top literacy rate has been ignored and these comments are the result of a deep frustration.

Yes, Mr. Ghosh is right. The Americans have national pride, because they are one 'ethnic' group—immigrants. There are no linguistic divisions—they have willingly accepted the language of the land. Also, all the goodies are not concentrated in New York, Washington DC, Chicago and Los Angeles (*cf.* Bombay,Delhi,Madras and Calcutta). And there are no *senas* in New York to claim New York as their own.

Let us in India do some sincere soul searching and find the right solutions.

A.S. Hegde
Bombay

Excellent but...

SIR—Your Cover Feature 'The pleasures and perils of the job hoppers' fraternity' (*BW* April 14-27) was excellent. However, your Products & Processes page seems highly inadequate.

I would request you to increase this page so as to cover at least 10-25 products and processes instead of just four to five.

B.R. Shankar
Tinsukhia (Assam)

Very informative

SIR—Your Cover Feature 'Morals and manners in Indian industry' (*BW* March 31-April 13) was very informative. All businessmen should be very thankful to you for the various hints given in the article on the art of conducting negotiations in three major foreign nations.

It would be very helpful if *BusinessWorld* featured a complete story on the art of conducting negotiations with various foreign nations. You could concentrate on one country per issue. Such articles would go a long way in promoting India's exports.

S. Ramesh Kumar
Coimbatore

IIMS

INDIAN INSTITUTE OF MANAGEMENT STUDIES

ANNOUNCES

Its Next Batch of Management Correspondence Courses for GRADUATES & UNDER-GRADUATES for the academic session

1986-87

P.G. DIPLOMA/ CERTIFICATE COURSES

- Office Management
- Cost Management
- Marketing Management
- Business Management
- Personnel Management

P.G. Diploma Duration
One Year [June'86—May'87]
Eligibility: Graduation/ Equivalent

Certificate Duration:
6 Months [June'86—Nov.'86]
Eligibility: 10+2/Intermediate/ Equivalent

Last Date

June 20 1986 | July 20 1986 WITH LATE FEE

FOR DETAILED PROSPECTUS AND APPLICATION FORM
REMIT Rs. 8/- ONLY TO

Indian Institute of Management Studies
A-401-Defence Colony,
New Delhi-110024 (India)

MAY 3

The Union government has set up a high level committee to suggest a formula for fixing the prices of indigenous non-ferrous metals and to assess the impact of import of these metals against replenishment licences (*BS*).

Reserve Bank of India has announced cuts in the interest rates on deposits under the Foreign Currency Non-Resident Account Scheme. The cuts range from 0.5% to 1%.

MAY 4

The Union finance minister V.P. Singh told the income tax commissioners to continue to be tough and unsparing with tax evaders (*ET*).

The three day 12th summit meeting of seven industrialised nations began in Tokyo.

MAY 5

The controversial protection bill for divorced Muslim women was passed by the Lok Sabha.

MAY 6

Leaders of the world's seven most industrialised nations ended their three day summit meeting in Tokyo, calling for a new round of world trade talks and adopting a major revision in world monetary policy.

Prime minister Rajiv Gandhi announced that the tenure of chief executives and wholetime directors of public sector corporations would be extended to five years against two years at present.

MAY 7

Foreign tourist arrivals in the first quarter of 1986 has increased to 2,57,725 against 2,19,058 in the same period last year — an increase of 17.7%.

MAY 8

The Union government has decided to permit non-resident Indians to invest in existing sick companies on a repatriable basis.

The ruling Akali Dal(L) in Punjab split, and 27 of the 73 Akali legislators withdrew their support to the Barnala government.

MAY 9

A review made by the Planning Commission has shown that the actual addition made to the power generation capacity during 1985-86 was only 4,223 Mw against the target of 4,459.5 Mw.

MAY 10

The Union government has decided to accord concurrent clearances to the separate applications made by industry under different sections of the Monopolies and Restrictive Trade Practices Act (*FE*).

MAY 11

The Swedish government has reportedly asked for a guarantee from India that the three sophisticated industrial cameras being purchased from Sweden would not be used for designing nuclear weapons (*BS*).

MAY 12

In the second major cabinet reshuffle, Rajiv Gandhi dropped B.R. Bhagat (external affairs minister) and inducted 12 new ministers into the cabinet, including G.S. Dhillon and Mohammed Syed as cabinet ministers, nine ministers of state and one deputy minister. With this reshuffle, the strength of the council of ministers has gone up to 58.

MAY 13

The Bhopal gas leak victims' case involving billions of dollars worth of claims was dismissed by a New York (US) court. However, Judge John Keenan, while dismissing the case, set three conditions for the Union Carbide Corporation to comply with: (1) it shall consent to submit to the jurisdiction of the courts of India, (2) shall agree to abide by any judgement rendered by an Indian court, and (3) shall provide all documentary information as required under the model of the US federal rules of civil procedures. The judge also asserted that Indian courts have the proven capacity to mete out fair and equal justice.

MAY 14

The chief judicial magistrate of Pune acquitted S.L. Kirloskar, chairman and managing director of Kirloskar Oil Engines Ltd., and his son Chandrakant, vice chairman of the company, of charges of violating the Foreign Exchange Regulation Act.

Prime minister Rajiv Gandhi left New Delhi on a six day tour of four frontline African countries — Zambia, Zimbabwe, Angola and Tanzania.

MAY 15

The Union government has decided to grant bulk import licences to private diamond traders. Hitherto these licences were granted to the public sector Hindustan Diamond Corporation, and the Minerals and Metals Corporation (*FE*).

MAY 16

The vanaspati industry has agreed to bring down the prices of vanaspati by Rs. 1,000 a tonne with immediate effect. Now the maximum retail price of a 15 kg tin of vanaspati will be Rs. 280.

BS = Business Standard, ET = The Economic Times, FE = Financial Express

NEXT FORTNIGHT

May 22 to 24, 1986
Behaviour modelling for productivity
Venue: CMA auditorium
Organisers: Calcutta Management Association, Calcutta (Tel: 432073)

May 24, 1986.
Technological needs of household electrical appliances manufacturers
Venue: Auditorium of the Federation of Chambers of Commerce, Baroda
Organisers: Electrical Research and Development Association, Bombay

May 24, 1986
Finance for industry
Venue: Hotel Oberoi Towers, Bombay
Organisers: Sheracons Business Associates, Bombay (Tel: 4943821)

June 2 to 7, 1986
Computer appreciation programme for executives (No.5)
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad (Tel: 36952)

June 9 to July 19, 1986
Course in general management for senior executives - 67
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad (Tel: 36956)

June 3 & 4, 1986
Industrial relations in the banking industry
Venue: Taj Mahal Hotel, Bombay
Organisers: Industrial Relations Institute of India, Bombay (Tel: 2044084)

APPOINTMENTS

A major multinational bank requires

COUNTRY TREASURER

for immediate placement

Bombay

Approx. Rs. 100,000 PA +Housing, Car & Perks.

The Candidate should be around 30-35 years of age and possess a good Post-Graduate Degree in Economics, Finance or Management.

He, or she, should have about 8 years experience in banking of which, at least 5 years should have been in the Treasury or Investment Banking function of a large bank.

The job will involve managing the Country-Wide Treasury function and will include responsibility for Foreign Trading, Liability Management, Securities Trading and developing an active Investment Banking Group.

Besides the attractive remuneration package, the position also offers good growth opportunities.

Apply in strict confidence within 15 days to Box No.

APPOINTMENTS

SKF

invites applications for the post of

LEGAL ADVISER

The Company

SKF India (Associated Bearing Company Limited) manufactures and markets a wide range of ball and taper roller bearings and textile machinery components and is considered a market leader. The management is thoroughly professional and the international SKF Group are major shareholders and collaborators.

The Job

The Legal Adviser will handle the Company's legal matters covering Companies Act, MRTP, FERA, Excise and Customs Laws, etc. He will brief attorneys/counsels and appear before excise and customs authorities. He should be able to independently handle documentation work. Exposure to excise and customs matters is necessary. Post graduate qualification in law is essential. Preferred age group 35-40 years.

The Terms

The remuneration package offered will consist of a very attractive salary and allowances and other benefits including leave travel assistance, superannuation, provident fund, gratuity and medical benefits to self and family.

Candidates meeting these requirements fully should apply with details of their qualifications, experience, age, knowledge of languages and any special achievements within 15 days to:

Manager – Administration
Associated Bearing
Company Limited
Hoechst House
Nariman Point
Bombay 400 021

Please mark the envelope 'Confidential: LA'

APPOINTMENTS

FACOR

NEEDS

MANAGER (MATERIALS)

for their 100% Export Oriented Charge Chrome Plant

QUALIFICATIONS :-

Graduate in Mechanical/Electrical Engineering.

OR

Post Graduate in Science, Commerce with adequate Technical Background with M.B.A./Post Graduate Diploma in Material Management from IIMM.

EXPERIENCE :

At least 5 years in Import, Purchase, Stores, Inventory Control, Excise & Customs, Shipping in large manufacturing undertaking preferably Metallurgical Industry.

The post is in Senior Management Cadre and the incumbent shall be responsible for efficient functioning of Materials Department in all respects.

Salary & Perks shall be commensurate with Qualifications and Experience. Age should not exceed 45 years.

The selected candidate will be required to join immediately.

Please apply in strict confidence within 10 days to :

PRESIDENT
FERRO ALLOYS CORPORATION LTD
CHARGE CHROME PLANT
D.P. NAGAR RANDIA-756135
DIST-BALASORE (ORISSA)

APPOINTMENTS

With a turnover of Rs. 145 crores, our clients are a rapidly growing consumer product company with three manufacturing plants and an elaborate all-India marketing network. Their undisputed market leadership for the last nineteen years has come through employing the best human resources in the country and an unqualified emphasis on quality, technical excellence and meticulous R & D. Sophisticated computer based systems have been used in a highly competitive environment to achieve high levels of operational efficiency and profitability, which has contributed to their being rated as one of the most respected Indian blue-chip companies.

Since the company has introduced products in every segment of the market, and caters from the very large to the smallest customers, manufacturing activity has to cope with a wide variety of products and packaging sizes. In such an environment, **the objective of maintaining product excellence demands a highly skilled, sophisticated and dynamic Quality Assurance activity both at the Corporate level and at the manufacturing units.** For manning the Quality Assurance departments at two of their plants, they require :

MANAGER – QUALITY ASSURANCE

ANKLESHWAR / PATANCHERU

The Manager – Quality Assurance will lay down and continuously update Quality Assurance practices within prescribed parameters. He will be required to periodically review test data, co-ordinate with the Company's Technical Function and provide technical support to the Production Department and audit all manufacturing processes.

Applicants for this position should have a Post graduate qualification in Chemistry or Paint Technology with eight to ten years of Technical or Quality Assurance experience at a senior level in a similar industry. The preferred age group is 30 – 35 years.

QUALITY ASSURANCE EXECUTIVE

ANKLESHWAR

The Quality Assurance Executive will supervise a team of chemists engaged in Quality Assurance activity against predetermined standards. He will be required to periodically review the test data which may improve any of the the production parameters. He will have to assist the Manager – Quality Assurance in laying down and continuously updating Quality Assurance practices within the prescribed parameters. He will also assist in standardising processes in the Production Department.

Applicants for this position should be Post graduates in Chemical Technology or Paint Technology having about two to three years direct shop floor experience preferably in a paint factory. The preferred age group is 25 – 30 years.

The above positions offer attractive compensation packages commensurate with qualification and experience and are designed to attract the best available talent. Furnished accommodation will be provided to the Managers/Executives based at Ankleshwar and Patancheru.

Applications giving full particulars of qualifications, work experience & salary drawn and expected may be sent within 15 days of this advertisement to :

PERSONNEL SEARCH SERVICES

45, BAJAJ BHAVAN, 4TH FLOOR, NARIMAN POINT, BOMBAY-400 021.
TEL : 202 2885, 202 7207.

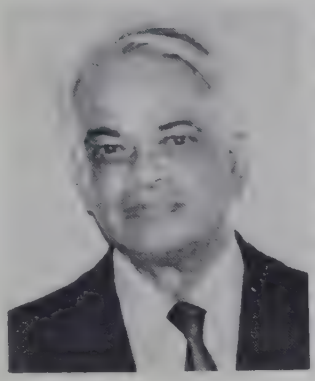
Please superscribe the following on the envelope :
BW / name of the position applied for.

Diason

BusinessWorld
May 26—June 8 1986

Hobson's choice

M.V. KAMATH



What sort of political parties that profess to lead us, do we have now? And where do they think they will lead us?

Take first the Congress(I), as motley a party as any and one that is currently rent with internal dissensions. Ever since Mr. Gandhi came to power, party elections have not been held nor, for that matter, has any move been made to strengthen the party at the grassroots level. Offices were held at the pleasure of the party president but few, if any one, really knew the nature and strength of the party membership. Mrs. Indira Gandhi was the party and the party was Mrs. Indira Gandhi.

The party had a liberal quota of power seekers and power brokers and "fixers" against all of whom prime minister Rajiv Gandhi — also the party president — railed to his heart's content at the centennial celebrations held last December in Bombay. Since then people have been expecting efforts at a mass clearance of undesirables from within the party, but the broom has yet to sweep clean. Old-style power brokers have been warned, some like Pranab Mukherjee have been thrown out, but there has been no large-scale purge of the party as yet. Kamlapati Tripathi, who was being used by dissidents to press their claims, has hopefully been put in his place. Vasantdada Patil has been banished, but that is about the limit of positive action taken. The treasurer of the party, Sitaram Kesari who, more than anybody else, knows from where the money has come in the past and where it has gone, has not only not been debarred from party activities, but has been made a minister of state.

Though efforts are being made to infuse new blood into the party, and raids on business houses have been conducted with much fanfare, the encouragement given to reactionary communal elements does not give much hope for the strengthening of a secular government at the Centre.

Party elections will no doubt be held, but even before the scheduled date, there are accusations and counter-accusations of enlisting 'bogus' members and we have not heard the last of this. Party in-fighting has started in right earnest and is not likely to stop soon.

ONLY CARD

What about the Janata party? It has only one card, Ramakrishna Hegde. The Janata minus Hegde would not amount to much and even as it is, it has shown itself bereft of leadership. At the recent party elections held at Jayaprakash Pattan in Maharashtra, there were originally five candidates for the presidency of the party: George Fernandes, Madhu Dandavate, Ravindra Varma, Biju Patnaik and Indubhai Patel. Chandra Shekhar who has been president of the party since its inception, had often expressed his desire to step down and it was hoped that he would be permitted to slide into the background and a new president elected. None was.

All the five candidates, for reasons best known to them, withdrew their candidatures and had it not been for Swami Agnivesh who had thrown, so to speak, his turban into the ring, Chandra Shekhar would have been re-elected party president for one more term. Swami Agnivesh had been ignored in the beginning — he was even challenged to show his party membership card! But the fact that Chandra Shekhar was re-elected president of the party, surely indicates the poverty of the party at the top level.

What is even worse is the lack of cohesion within the Janata party. Former prime minister Morarji Desai, an elder of the party, did not attend the meeting of the National Council but wrote to Chandra Shekhar who publicly announced that he did not intend to answer the letter as he did not care for Desai who has demanded the debarrment of Syed Shahabuddin from the party where, as party general secretary, the latter has been misusing his position to popularise his blatantly communal views.

To add to the confusion, some members of the party, including Madhu Dandavate, are threatening to lead a *morcha* to Belgaum, now a part of Karnataka, but which the Maharashtrian wing of the Janata party wants incorporated into Maharashtra, no matter how much it might embarrass the ruling Janata party in Karnataka. This is the party which has laid claims to be an alternative to the Congress! Looking at it from any angle, the Janata party is in a shambles.

A POTPOURRI

The Bharatiya Janata party, in that sense, is better knit and organised and at least ran its own show in Delhi competently. Critics will question its re-affirmation of the RSS link, but it has the supreme merit of being honest about its stand. No longer is the BJP defensive over its dependence on the RSS. Its politico-economic stand is a potpourri of "Gandhian socialism" (whatever it means), Deendayal Upadhayaya's "integral humanism" and the *antyodaya* and *gramodaya* of Jayaprakash Narayan. The BJP demands a uniform civil code, a ban on cow slaughter, and plans to attack the Rajiv Gandhi government for its alleged "immaturity."

This is the situation at present among the three main political parties in the country and there seems little to choose between them. Despite coming into power to uphold Andhra's *atma gaurav*, N.T. Rama Rao's Telugu Desam has done little to improve conditions in Andhra Pradesh, even while antagonising many sections of the Andhra public. The situation is no better in Tamil Nadu. In Kerala, political life is a boiling cauldron with Karunakaran, the chief minister, holding on to power by the skin of his teeth.

Whichever way one looks at it, it is not a very reassuring picture. By now, one would have assumed that the Rajiv Gandhi government would have settled down at the Centre. But the prime minister continues to experiment with his cabinet and has just played one more round of musical chairs. One would assume that more than anything else, cabinet making has become the pre-occupation of the prime minister.

We have had enough of tension, instability and ad hocism and the country looks forward to a period of quiet in the political sphere and fast growth in the economic field. Constant changes in ministerial portfolios are not conducive to encouraging faith in the government. It has enough problems on its plate, without wishing to seem incoherent and indecisive. The only consolation that Congress(I) can draw at the moment is that none of the other political parties is in a position to offer it any meaningful challenge. But that can't be any consolation to the average citizen who wants a good government and not an over-confident one.



The strong grip of leadership

Goodyear demonstrate leadership worldwide. In technology and research, innovation and quality, in popularity amongst users and performance on world race-tracks

The largest earthmover tyre, the tyre that landed on the moon, the largest-selling car tyre in the world — **each** one is a Goodyear!

Right here in India Goodyear lead with Power Cushion. The tyre you have made an **unquestioned** leader. Well, that's Goodyear. The finest, the world over. As Power Cushion is in India.

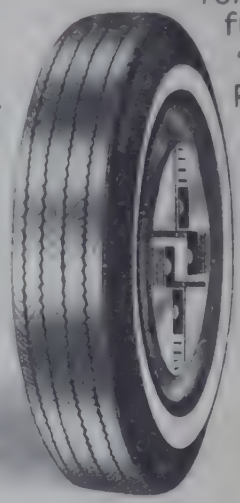
And with all reason.

Deeper and Wider Tread : More rubber on the tread than any other car tyre. (Consumers testify to over 50,000 Kms. of non-skid safety).

Computer chips in for more mileage, more safety :
Power Cushion's computer-perfected tread design ensures greater grip, more comfort, more safety as tread adjusts automatically to road profile.

Unique Arrow-Head Design :
For a quicker start-stop, lower rolling resistance, more fuel saving.

'3-T' Nylon Casing :
Resilient and abrasion-resistant casing that ensures more retreads.



That's Goodyear Power Cushion



GOODYEAR

LEADING THE WORLD IN TYRE TECHNOLOGY

Contract/GY-20/85

BusinessWorld
May 26—June 8, 1986

BANKING AND FINANCE — A.V. RAJWADE

Capital-output malaise



India's trade deficit in the first six months of the fiscal year 1985-86 was a staggering Rs. 4,123 crores. This compares poorly with the trade deficit of less than Rs. 2,300 crores in the corresponding period of fiscal 1984-85 and a deficit of Rs. 5,537 crores for the whole of that year. The total deficit for 1985-86 may well exceed Rs. 7,000 crores, despite the recent fall in oil prices. In fact, the effect of the plunge in crude oil prices may not really be discernible until the end of the current fiscal year.

Unfavourable factors. This yawning trade gap looms before the economy precisely at a time when several other unfavourable factors are likely to adversely affect India's balance of payments. Some of these are:

(i) The remittances from non-resident Indians, particularly those in West Asia, are likely to fall.

(ii) India's share of the soft IDA loans has been falling. From 40% of total IDA lending in 1980, it has come down to 22% in 1985. While the gross assistance from the World Bank and IDA together has not fallen over this period — because World Bank loans have compensated for the drop in IDA credits — it needs to be recognised that the terms of World Bank loans, both in terms of interest and repayment, are far stiffer than those of IDA. Thus, an increase in World Bank loans and a decrease in IDA credits adds to the national debt servicing burden.

(iii) Based on the existing borrowings alone, the amounts required to service India's external debt are rising rapidly — from just above Rs. 1,000 crores in 1983-84 to over Rs. 4,000 crores by 1988-89. If exports continue to remain stagnant, the country's debt-service ratio will rise to unacceptable levels.

(iv) It needs to be emphasised that the above figures relate only to the existing debt. To the extent that additional debt is contracted during these years — and this is unavoidable — the burden will become heavier.

Reversing the import liberalisation policy is hardly the answer. Stepping up exports is, of course, one way out of this bind. But in 1985-86 at least, the first year of the current five year plan, the increase in export revenue is at best likely to be marginal.

I am quite convinced that the crux of the national balance of payments problem is the extremely high capital-output ratios to which the centralised planning process has subjected the Indian economy. For the Sixth and Seventh Plans, this ratio has been approximately 6:1. In other words, for an additional economic output of Rs. 100, we need to invest as high a sum as Rs. 600. Little wonder that despite a heroic savings ratio (23% of GNP), India continues to be confronted with a shortage of investible resources and is forced to borrow from abroad.

It may be recalled that when the planning process was initiated under prime minister Jawaharlal Nehru, there was a feeling among his advisers (Professor Mahalanobis being one of the more prominent ones) that once the savings ratio improved, the Indian economy would reach a stage of self-sustaining growth. This has not happened.

The connection between the capital-output ratio, the savings rate and the foreign currency borrowings is obvious. If the national average capital-output ratio continues to rise, even larger domestic savings will prove inadequate, forcing government and industry to borrow abroad. This in turn is likely to push the national debt-service ratio ever upwards with disastrous consequences for the country's balance of payments and the external value of the rupee.

Debt trap. As analysed above, the amount of borrowing is fast reaching levels which will make it very difficult to service the national debt. If India is not to fall into the debt trap like many other developing countries, a determined effort to decrease industry's capital-output ratio is vital.

Consequently the national emphasis in the immediate future needs to be on extracting more output from existing assets, rather than creating additional capacities to work at the same inefficient levels. The low output of the steel and power plants financed with huge capital investments is symptomatic of the malaise that afflicts the high cost Indian economy — a malaise which threatens to bring the entire edifice crashing down.

COMPANIES

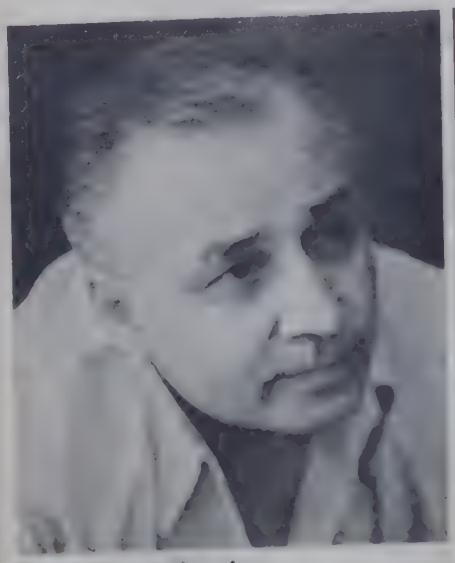
ITC: the Sapru initiative

After over three years of relative dormancy, the tempo of activity in Virginia House, headquarters of the Calcutta-based cigarettes and hotels colossus ITC Ltd. (sales: Rs. 801.4 crores in the year ended 30th June 1985), is gathering momentum. The last time ITC made big news was way back in end-1982 when the company announced its intention of acquiring India Cements Ltd., Madras by buying up a chunk of equity shares held by the Industrial Development Bank of India (IDBI) and other public sector financial institutions.

But ITC's much trumpeted diversification into cement — which retiring chairman Ajit Narain Haksar had hoped would be his parting gift to the company — turned out to be a damp squib. For reasons which will perhaps never be known, the then Union finance minister Pranab Mukherjee suddenly directed the financial institutions to reverse the transaction. Thus in September 1983, ITC abruptly found itself ejected from the cement business.

The trauma of this unexpected ejection — which at one stroke laid waste months of detailed financial and personnel planning — served to severely limit the style of Jagdish Sapru (52), who took over as chairman from Haksar in January 1983. The India Cements imbroglio apart, Sapru was also confronted with a bagful of other problems as soon as he took over as chief executive of one of the country's most respected companies. Not the least of these was a court ruling dated May 1983 on the non-deductibility of certain post-manufacturing expenses as allowable expenditure. This cast a pall of uncertainty on the extent of the company's excise liability. As on 30th June 1985, the company — in keeping with the dictates of accounting prudence — had set aside an extraordinary sum of Rs. 29.7 crores as a contingent excise liability after having "voluntarily" paid up a cumulative sum of Rs. 31 crores on account.

Liquid investments. The fear of the excise sword hanging over the company has compelled it to keep enormous sums of money locked in liquid investments, just in case the Supreme Court's final order requires it to pay up a hefty sum in quick time. Thus on 30th June 1985, ITC owned units of the Unit Trust of India purchased for Rs. 48.2 crores. Since then



Sapru: innovative plan

the investments in units is believed to have crossed the Rs. 50 crore mark. "The short-term surplus funds invested in units of the Unit Trust of India have considerably strengthened the liquidity position of the company which is now poised to invest in further expansion," is how the directors reported on this matter last year.

But on 28th April, an enthusiastic Sapru unveiled the company's ambitious plans for the future, the current uncertainties confronting the company notwithstanding. First, ITC is restructuring its hotels business. And secondly, it is on the threshold of entering entirely new lines of business. To these ends, an extraordinary general meeting (EGM) of its 1,40,530 shareholders is being convened at Calcutta on 21st May.

Under the corporate restructuring exercise, ITC-owned high profile 5-star hotels are being spun off into a separate company. Effective 1st July, ITC's three owned hotels (*viz.* the Maurya Sheraton, New Delhi; the Mughal Sheraton, Agra and the Chola Sheraton, Madras) will be transferred to its wholly owned subsidiary, Vishvarama Hotels Ltd. (VHL), for a consideration of approximately Rs. 48 crores. By early next year, VHL will metamorphose into ITC Hotels Ltd., a company with an equity capital base of Rs. 20 crores and assets including not only the three wholly owned hotels named above, but also the Windsor Manor, Bangalore and the Bay Island Hotel in the Andaman and Nicobar islands. ITC Ltd. will then reduce its equity shareholding in ITC Hotels Ltd. to 40% by offering the remaining 60% of its shareholding to the public by mid-1987.

"ITC Hotels Ltd. will enter into a service contract with Welcomgroup, the hotels division of ITC Ltd. (which will continue to manage the leased hotel properties of the company), and will continue as a member of the Welcomgroup chain, enjoying the prestige and goodwill of the Welcomgroup association," explains Sapru, adding that ITC Hotels Ltd. is "almost certain to pay dividends from the very first year of going public."

That the new company will be on the dividend list *ab initio* is quite on the cards, given that last year on a sales turnover of Rs. 46.8 crores the Welcomgroup chain notched up a handsome gross operating profit of Rs. 14.6 crores. And this year, says Sapru tantalisingly, "the Welcomgroup chain has shown a significant improvement in its performance over last year."

Unique proposal. Not surprisingly therefore, Sapru is highly optimistic about the prospects of ITC Hotels Ltd. "We are taking a bold and innovative step and forgive me for saying so myself, creating corporate history by the development of a unique proposal. This scheme allows for the generation and redeployment of substantial cash resources while giving an existing business a larger presence in its industry segment," says Sapru.

This innovative restructuring plan — perhaps the only parallel in India was the Hindustan Lever-Lipton India revamp of 1983 — is reportedly the creation of ITC's highly rated investments and planning director Feroze Vevaina (42).

Pointing out some of the beneficial fallouts of the plan, Vevaina says that the ITC group will now be able to raise resources "at a faster rate." For one, the additional funds realised through next year's public issue of ITC Hotels Ltd.will enable ITC to embark upon "a new phase" of growth and development. In the hotel business in particular, he predicts that growth will be accelerated by the "powerful twin thrust" which ITC can initiate in its Welcomgroup division on the one hand and in ITC Hotels Ltd. on the other.

Now that the hotels industry has been taken out of the ambit of the Monopolies & Restrictive Trade Practices (MRTP) Act by the Union government, ITC Hotels Ltd. — which will be of comparable size with its major competitors such as East India Hotels Ltd., and Indian Hotels Ltd. — can be expected to grow on the basis of its own strengths and within its own industry segment.

And to enable the parent company to launch its "new phase" of action, the EGM is being convened to seek authorisation from shareholders to enable ITC to diversify into one or more of the following new businesses: petrochemicals and downstream chemical products and plastics; building and construction materials including *inter alia* gas concrete bricks, ceramic and glazed tiles and engineering plastics; electronics; agro-based industries such as oil seeds, edible and industrial oils and forestry; and the last — but not the least — quartz and mechanical watches and clocks. "We have shortlisted these new areas of diversification in consonance with national priorities and shareholders' expectations," says Sapru, "and we shall announce more specific plans in this regard in the near future."

Not a doubt about it. A new method of aggressive optimism is permeating Virginia House, Calcutta, at the moment. And after characteristically sober and careful planning, Jagdish Sapru is all set to prove his mettle.

Sujoy Gupta in Calcutta

PUBLIC SECTOR

Kudremukh's long haul

A wit once likened the Rs. 518 crore public sector Kudremukh Iron Ore Co. Ltd. (KIOCL) to a lady all dressed up with nowhere to go. No longer. The business prospects of this largest of 100% export-oriented enterprises in the country have distinctly brightened over the last year as a result of a vigorous — and fairly successful — drive by the company's top brass to find new markets for its high grade iron ore concentrate. According to K.K. Rao (54), an economics postgraduate of Nagpur University and chairman-cum-managing director of KIOCL, foreign exchange earnings may well exceed Rs. 75 crores in fiscal 1986-87.

Apart from increasing exports to Japan and Bahrain, the main buyers of its iron ore concentrate, Rao is also confident of obtaining larger orders from China, France and Czechoslovakia. The Japanese, for one, after a bit of quiet persuasion by the MMTC chairman S.V.S. Raghavan, have agreed to purchase 2.5 million tonnes of ore this year and have expressed the inclination to place orders on a "regular basis," depending upon the demand and supply position. This deal is significant in that Japan's steel industry is experiencing a recession and imports of ore have been scaled down drastically. Another plus factor as far as KIOCL is concerned is that the Japanese have reportedly agreed to transport 30% of the

2.5 million tonnes contracted through Indian shipping companies.

Cheerful note. Not surprisingly, a long absent mood of optimism is once again discernible in the deep-carpeted corridors of KIOCL's headquarters in Bangalore. The financial year 1985-86 has ended on a decidedly cheerful note after a rather dour start, with export revenue touching Rs. 38.41 crores against a target of Rs. 37.86 crores — a jump of 52% over the previous year's figure of Rs. 25.34 crores. The year saw the company gaining a toe-hold in the major iron ore markets of Japan and France. Japan, the world's largest purchaser of iron ore, placed an order for 1.38 million tonnes and France contracted for a trial shipment of 0.2 million tonnes. But the big breakthrough was China which offered to buy a modest 25,000 tonnes for starters.

KIOCL managers are now talking in terms of exporting around 4 million tonnes of ore in 1986-87 which, while being nowhere near its installed capacity of 7.5 million tonnes per annum, is progress nonetheless, considering the peculiar constraints under which the company has been operating since its incorporation a decade ago.

An enterprise wholly owned by the government of India, KIOCL was incorporated in 1976 to develop a mine and plant facilities to produce 7.5 million tonnes of ore concentrate a year. The mine and plant were both commissioned in 1980. Located 110 km east of Mangalore, the mine is the largest of its kind in India, with a potential capacity of 22.6 million tonnes of crude iron ore per year. The ore is beneficiated to produce a concentrate of 67% iron, which is ideal for pelletisation and can also be used as a blend for sintering.

The entire KIOCL project was to have been financed by Iran through a loan of US $630 million with the company agreeing to repay the amount in kind through the shipment of 150 million tonnes of ore concentrate over a period of 20 years. Unfortunately, when KIOCL was commissioned in 1980 — ahead of schedule and within the estimated project cost — the political situation in Iran had changed dramatically: the Shah had been dethroned and the clergy had taken over. One of the two proposed gas-based steel plants in which the KIOCL concentrate was to have been used has not seen the light of day, and the other is located in the Iran-Iraq war zone. Besides, KIOCL managed to get only $255 million of the originally promised $630 million for the project; the rest had to be obtained from the Indian government as loans.

Recalls chairman Rao: "The company found itself in a spot. The plant was ready on time, the technology was good. Only the market, which was to have been captive, virtually disappeared. Had it not been for the political situation in Iran and its war with Iraq, we would have been on top of the world."



Rao: political setback

Nevertheless the company's managers scrambled around and negotiated a contract with Romania for the supply of 3.5 million tonnes of ore concentrate over a three year period beginning 1981-82. The contract was discharged in 1984-85 with a final despatch of 1.06 million tonnes.

In return for the ore, the Romanians agreed to provide equipment and technology valued at Rs. 49.4 crores for a Rs. 110 crore, 3 million tonnes per annum capacity pellet plant at Mangalore. Curiously, Romania itself does not boast a pellet plant. The technology it offered to KIOCL was from Messrs Lurgi, West Germany.

Behind schedule. Be that as it may, the pellet plant, which will be the largest in India and will be capable of producing direct reduction quality pellets, is expected to go into production in the current month — seven months behind schedule. The delay is blamed on the lack of technical data and non-sequential supply of equipment from Romania. A two month strike in KIOCL last year is also believed to have added to the delay.

G.R. Ramamurthy (55), a mechanical engineering graduate of Bangalore University and general manager (commercial) of the company, explains why the KIOCL management decided to produce pellets: "When the company's ore concentrate plant went on stream, Iran was no longer a market. Supply of ore in the world markets so exceeded demand that it was virtually a buyers' market. This apart, countries such as Brazil were already well established as quality ore suppliers. So we thought of converting a part of the concentrate into pellets since the latter, being a value-added product, promised higher returns."

Unfortunately, the market situation has since changed for pellets as well, with sales neither as profitable nor as easy as predicted. Rao admits that the global market for pellets is as recessionary as the market for iron ore concentrate, but maintains: "We should be able to compete in markets where we have a freight advantage."

The pellet plant will produce 1 million tonnes of pellets in the first year and, according to Ramamurthy, the management is confident of finding buyers in Indonesia, Malaysia, Hungary, Saudi Arabia, Qatar, Egypt, Libya as well as in France and West Germany. South-east Asian countries in particular may prefer to buy KIOCL pellets instead of getting their supplies from distant Brazil or Sweden because of lower freight costs. A factor that lends credence to the company's never-say-die optimism on the marketing front is the fact that exports of ore concentrate have risen from a modest 0.5 million tonnes in 1981-82 to 2.06 million tonnes in 1985-86. Not merely that, sales, once restricted to a few East European countries, have picked up even in the competitive West European and Asian markets.

Sounder footing. Financially as well, the company, though certainly not out of the woods, is on a sounder footing, the cumulative loss of Rs. 198.90 crores as on 31st March 1986 notwithstanding. In the two years 1984-85 and 1985-86 there have been no cash losses. The overall loss on operations in the year 1985-86 is however estimated at Rs. 21.16 crores.

The improved financial performance in the last two years on account of better capacity utilisation apart, the company's management, in an effort to off-load KIOCL's heavy interest burden, has persuaded the government of India to convert its long-term loans for capital expenditure into equity and waive the payment of penal interest of Rs. 17.58 crores on these loans. As a result the government of India's share capital in KIOCL has risen to Rs. 635.61 crores.

Meanwhile, the company is planning to set up a 0.5 million tonnes per annum sponge iron plant at Mangalore, both as a safeguard against the vagaries of the international pellet market, and to meet the raw material requirements of mini-steel plants in the country which are heavily dependent on imports.

Look at the brighter side of life



The Indo-Suez Bank premises at Jhulelal Building, M.G. Road, Fort, Bombay, after the fire

Photo Courtesy: The

On January 10, a devastating fire destroyed the Jhulelal Building in which the Indo-Suez Bank was located.

Property worth lakhs of rupees was destroyed, but more important, valuables worth a lot more were saved. And that was the silver lining in the dark, smoke-laden clouds.

Thanks to the Godrej strong room doors, safes and fire resisting filing cabinets installed for providing total protection to their cash, valuables and vital documents.

The decision-makers at Indo-Suez Bank deserve all the credit for being prudent in installing Godrej security equipment to protect their clients' assets. After all, it is this foresight which has stood by them in their hour of need.

No wonder the name Godrej is the most trustworthy assurance Banks give to their clients.



The Godrej strong room door after the fire.



Valuables and vital documents were left untouched inside the strong room.



The Godrej safe that protected precious belongings

GBM-2473

Godrej® Security Equipment.
The superior protection for your valuables.

In the immediate future, though, if KIOCL is really and truly to get out of the red it ought to be in a position to produce and sell at least 5.5-6 million tonnes of ore and pellets per annum. This is exactly what Rao and his team hope to achieve by the end of fiscal 1987-88. Whether these hopes are of the pie-in-the-sky variety or grounded in reality, it is premature to say. Yet the signs are unmistakable that a massive organisational effort is being mounted by the beleaguered management of this ill-fated public sector company which promised much but has delivered little.

N. Raghavan in Bangalore

ECONOMY

Blighted children

Sivakasi. The name is immediately associated with fireworks and matches, conjuring up images of fun and gaiety. Yet the reality is harshly different for it is in and around this town that the country's largest concentration of child labour is to be found. Consequently it is hardly surprising that this little town (pop. 83,000) in the drought prone district of Ramanathapuram is the site of the pilot National Child Labour Project which was inaugurated at Sivakasi on 20th April by the Union minister of state for labour, P.A. Sangma.

The objective of the Rs. 13.89 crore project is to alleviate the unenviable lot of 45,000 child labourers employed in over 2,500 safety match manufacturing units in the area encompassing the Sivakasi, Sathur and Vembakottai blocks and the Sivakasi and Sathur municipalities in Tamil Nadu. Spread over three years, the project expects to achieve several objectives.

Comments A. Balraj (45), IAS, labour commissioner and secretary to the Tamil Nadu government: "Over the next three years the project aims to decrease the incidence of child labour through an overall improvement in the socio-economic status of low income households in the area. It will also attempt to improve the nutritional standards of working children and provide more employment opportunities for women in the area. In addition, a more organised attempt will be made to provide non-formal education to child workers and their parents, better health care facilities to child workers, and an improvement in their condition of work and terms of employment."

Certain specific programmes have already been chalked out. A Rs. 4 crore programme envisages the provision of one nutritious meal per day for 300 days for child workers employed in the 2,500 match factories. In addition, their families will be covered by income generating schemes such as the IRDP, NREP and NLEGP, among others. "The difference," explains Balraj, "will be in the extent of penetration, particularly in those families which have a working child. The aim is to increase overall family income and thus reduce the necessity for children to work."

Justified scepticism. Though the rationale behind this national project is in consonance with the official line that, given the present socio-economic state of the country it would be neither feasible nor opportune to proscribe child labour, there exists a feeling of doubt in knowledgeable circles whether the government's well-meaning intentions and efforts can bring about a radical change in the target group children's working conditions. Such scepticism seems somewhat justified in the light of the fact that though various committees have been appointed in recent years — at least two committees have enquired into the conditions of child labour in Sivakasi alone — and national seminars have been held, there has been no concerted follow-up by the Union or state governments.

Comments Dr. K.N. George (60), director of the Madras School of Social Work, "There has been a lot of talk about improving the working conditions of child labour for the past so many years, but nothing concrete has ever emerged. Several suggestions have been made to the government time and again by leading experts in the field of social welfare, but to no avail."

In the meanwhile the number of children entering the job market has shown a steady increase. According to the 1971 census, 10.7 million children were employed in various occupations and in 1979 the government of India's statistics showed that 16.5 million children were working out of the total child (below 14 years) population of 230 million. Today, with the number of working children estimated at more than 20 million, India has the dubious distinction of ranking first in the world in child employment.

This,in spite of a plethora of legislation that has been enacted to prevent the employment of children. Among them: the Employment & Children Act, 1938; the Factories Act, 1948; the Plantation Labour Act, 1958; the Mines Act, 1952; the Merchant Seamen Shipping Act, 1958; the Motor Transport Workers Act, 1961; the Beedi and Cigarette Workers (Conditions of Employment) Act, 1956; and the Radiation Protection Rules, 1971 — framed under the Atomic Energy Act, 1972. All these enactments prohibit the employment of children below the age of 15 and 14 in certain sectors of industry.

In addition, according to Article 24 of the Constitution of India, "No child below the age of 14 years shall be employed to work in any factory or mine or engaged in any other hazardous employment." Article 39 of the Constitution under the chapter Directive Principles of State Policy states that, "The state shall, in particular, direct its policy towards securing... that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age and strength ...that childhood and youth are protected against exploitation and against moral and material abandonment." Yet the existence of such constitutional and legislative provisions has failed to reduce the incidence of child labour in the economy.



George: socio-economic problem

Socio-economic problem. Nor is the explanation for this phenomenon very complex. Comments George, "Child labour is a socio-economic problem in India. Poverty, inadequate family incomes, large families, illiteracy, etc., are the roots of the problem. Child labour is not a problem by itself, but is rooted in the problems that parents with less than living wages experience in maintaining their children."

The deployment of child labour in various occupations has far reaching ramifications. Social scientists are virtual

unanimous that children constitute the future wealth of a society. And since it is in childhood that the physical, psychological and social character of these future citizens is moulded, adequate care needs to be taken to ensure that they are afforded opportunities for such development. There is also a consensus among child psychologists and sociologists that the use of child labour deprives millions of children of the opportunity for development and in fact tends to keep them socio-economically backward.

"A concomitant of child labour is that it forces children to work in unskilled jobs and there is no hope for upward job mobility. The economic needs of adult life are subsequently too not met by the pittance received as an unskilled worker. This situation is at the root of frustration, unemployment and hunger, which in turn leads to delinquency and anti-social behaviour. Further, even the physical health and intellectual growth of a child is hampered by the deprivation of educational opportunities," says George.

Yet children by virtue of their being cheaper labour are preferred in many industries. Moreover, social scientists insist that children when employed are inducted at the point of lowest productivity and therefore there is an inefficient utilisation of manpower. In addition, the employment of child labour adversely affects adult labour in that wages in general are reduced and adult unemployment increases. A numerical indication of this can be had from an article in the *Indian Labour Journal*, published as far back as in 1961, which stated that if all the children were eliminated from the labour scene in India, employment opportunities for at least 15 million adult unemployed workers would be created. This argument is as valid now as it was then.

Regulatory approach. Indeed, the rising incidence of child labour is a clear indicator that official claims notwithstanding, illiteracy, ignorance, low wages, unemployment and poor standards of living continue to haunt millions of citizens. Yet the traditional approach to the problem of working children has been of a largely regulatory nature, i.e. through the enactment of legislation imposing restrictions on the minimum age of employment, minimum wages and the like.

Of late, there is resigned recognition in official circles that it is next to impossible to eliminate child labour completely in the low wage Indian economy. The emphasis therefore is to ensure that child labour is not exploited and at the same time attempts are made to improve their parents' overall standards of living through linkages with various anti-poverty programmes.

Yet another pronouncement made by Sangma while inaugurating the Sivakasi project is that comprehensive legislation intended to overcome the deficiencies of a multiplicity of legislation governing the use of child labour would be introduced in Parliament "soon."

The indications are that industries are likely to be classified as hazardous and non-hazardous. Child labour will be banned in hazardous industries while stringent conditions regarding wages, working conditions, number of hours per day and medical facilities to be provided will be specified for the latter category. The stringency of the statutory obligations is expected to make child labour economically unviable. Inevitably there is a catch: how to ensure that employers comply with these provisions? Which again underscores the vital importance of proper implementation and constant monitoring of welfare legislation — a weak area in the Indian development effort.

The overwhelming majority of social scientists are of the opinion that all these are necessarily short-term, stop-gap measures. The ultimate goal of eradicating the practice of child labour must not only be enunciated, but also pursued vigorously. As the Madras-based *The Hindu* thundered in a recent editorial (24th April), "That child labour, like so many other problems, is firmly rooted in poverty is irrefutable. And so is the statement that it cannot be dispensed with by the magic wand of a legal ban. But the tendency on the part of planners and policy-makers alike to overstress the truism carries the risk of ignoring, even as a long-term goal, the abolition of child labour, a constitutionally indefensible and economically unsound system. Whatever compromise is sought to be made could only be a temporary arrangement. Even while straining every nerve to make the welfare component work, there has to be a timebound framework aimed at removing the scourge..."

It couldn't be put better.

Chandu Nair in Madras

ECONOMY

Stalled export drive

Consonant with every major reshuffle of the council of ministers effected by prime minister Rajiv Gandhi during the 18 months that he has been in office, the latest (12th May) exercise once again demonstrates only too clearly the virtual neglect of the critical Union ministry of commerce. Despite it being quite evident that the incumbent minister P. Shiv Shankar had displayed little interest in the stewardship of the country's export-led industrialisation drive, he has been rewarded with the charge of the high profile portfolio of external affairs as well.

Shiv Shankar is the sixth minister to take charge of the commerce ministry in the past two years. Earlier Pranab Mukherjee. Khurshid Alam Khan, V.P Singh, Arjun Singh among others used the ministry as a transit point before moving on to greener pastures. More than even the overwhelming logic of having a full-fledged minister of cabinet rank to man this ministry which coordinates the national export effort, it is the uncertainty and disinterest of the political leadership which has demoralised the bureaucrats in the ministry and exporters alike. As a political commentator in the capital puts it, "Consistency, I am beginning to believe, is the virtue of an ass. The manner in which the commerce portfolio has been consistently degraded is inexplicable. We are going to pay a heavy price for this neglect."

Just how heavy is indicated by provisional foreign trade statistics for the first six months of the last financial year (1985-86) which were recently made public by the Union government. With gross export revenue aggregating to Rs. 5,017.63 crores in the period April-September 1985, it registered a 0.7% decline as compared to the export revenue during the same period of the previous year. On the other hand, the expenditure on imports during the same period showed a sharp increase of 24.5% to Rs. 9,141.63 crores. As a consequence, the trade deficit has widened menacingly to Rs. 4,124 crores, nearly 106% higher than during the same period in 1984-85.

Massive deficit. As if this were not enough to set alarm bells ringing, at the meeting (8th May) of the consultative committee of Parliament affiliated to his ministry, Shiv Shankar admitted that provisional figures for the first nine months of 1985-86 (April-December) revealed a massive deficit of Rs. 6,211 crores — more than the deficit for the full year 1984-85. If this trend persists, and there seems to be no reason why it shouldn't, 1985-86 could see the setting of yet another dubious record — a trade gap of well over Rs. 7,500 crores. Concessional aid flows, both bilateral and multilateral have also dwindled to a mere trickle. To absorb such a huge deficit, recourse will have to be made either to

commercial borrowings, leading to the kind of debt servicing problems the South American countries are experiencing, or to a further tranche of IMF credits. Indeed, some members of the esoteric community of economists in the capital are of the opinion that a second IMF loan with strict conditionalities has already been negotiated.

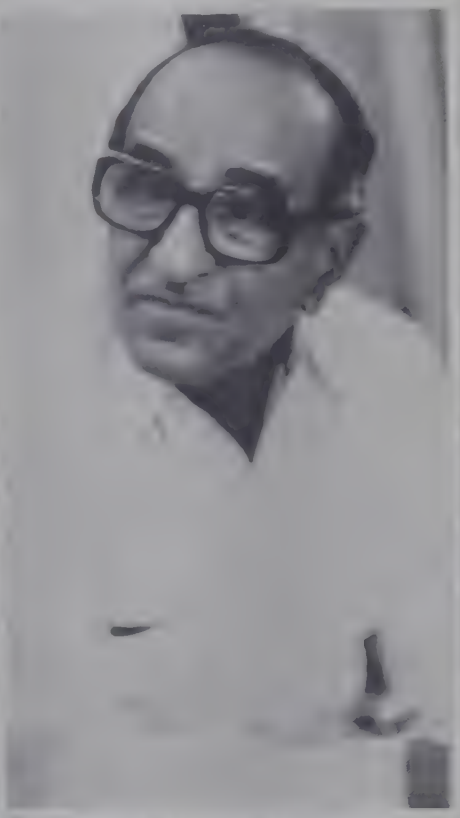
Against this backdrop the explanation of the commerce ministry spokesmen for the decline in exports is strangely complacent. According to the annual report (1985-86) of the department of commerce, "Apart from the international factors, the decline in our exports is mainly due to the fact that crude oil exports have virtually stopped due to the development of domestic refining capacity." Ministry sources indicate that the crude oil export revenue plunged to Rs. 135.15 crores (April-December 1985) from Rs. 1,194.44 crores in the same period in the previous year.

Yet some economists argue that the growth of refinery facilities does not necessarily result in a fall in the import of petroleum, oil and lubricant (POL) products as demand is on a pronounced upswing. It is also a moot point if, in the long run, enough strikes of oil reserves, onshore or offshore, will be made so as to reduce the economy's dependence on imported oil, however low their prices may drop.

Even more disturbing has been the declining share of POL and POL products in the total import bill: from 42% at the turn of the decade to just under 30% in 1984-85. As ever, the bills of bulk commodities such as fertilisers, edible oils, iron and steel, sugar, non-ferrous metals and the like have shown extremely high increases last year. Supporting the levels of investment that have taken place within the economy is a massive increase in the imports of machinery and transport equipment. Non-POL imports during the first six months of fiscal 1985-86 were valued at Rs. 6,519.80 crores – i.e. 32.1% over the non-POL imports of Rs. 4,935.73 crores during the corresponding period of the previous fiscal year.

Misplaced emphasis. This phenomenon has provided grist to the mill of isolationists who are in favour of a rollback of the new liberalised import policies, which would suit indigenous producers of capital goods as it would allow them to continue operating in a protected market. Takhat Ram (63), who retired in 1982 as the chief controller of imports and exports, underscores the fact that this is a misplaced emphasis. "It is essential to allow imports so that modernisation and technology transfers take place so that industry can eventually become globally competitive. The point is that something has to be done simultaneously to boost exports," says Ram.

Foreign trade statistics indicate that in the last year, non-oil export revenue rose marginally by 7.6%. But most of the product groups which recorded increases were commodities such as marine products, vegetables and fruits, cashew kernels, rice, iron and manganese ore,



Ram: changing variables

readymade garments and leather. Export earnings of the gems and jewellery trade which established a record in 1983-84, but suffered a reverse in 1984-85, also appear to have picked up. Besides, though the number of units exported of these commodities were higher, unit realisation is fast declining.

Little wonder then that Dr. V.B. Panchmukhi, director of research for the non-aligned and other developing countries, estimates on the basis of a stochastical forecasting model that by 1990 the country's trade deficit would cross the Rs. 14,000 crore mark and aggregate to around 6.5% of GDP. "Policy measures are required to be enumerated so as to generate a massive export thrust and contain import expansion to the minimum extent possible," he warns.

Unfortunately, the cry for a policy is lost in the wilderness of Indian politics. It is exactly a year now since the Union government laid down what it labelled a 'long-term' export-import policy which was valid for the period 1985-88. Like his other major gambles, this brainchild of Union finance minister V.P. Singh has also come unstuck. As Takhat Ram, who is a widely acknowledged authority on foreign trade policy, points out, "An export-import trade policy depends on the foreign exchange position and the needs of domestic industry. Both are fast changing variables. All that has been achieved by this so-called three year policy is that the costs of printing the document every year have been saved."

Subtle shift. Ram's cynicism is not unjustified either. During the course of fiscal 1985-86, the entire export-import policy has been virtually rewritten with the incorporation of as many as 258 changes. In addition, it is not only the edges of the policy that are being rounded off, but even the very thrust of the policy appears to have undergone a subtle shift, particularly where exports are concerned. Ram reels off various instances to prove how the cross currents of opinion amongst the powers-that-be have resulted in vitiating the foreign trade environment in which exporters are struggling to find their feet.

The classic case is that of the so-called passbook scheme which was supposed to be introduced last October. Only this month have the guidelines been finally issued and passbooks made available. Not only is the delay of a year inexcusable, but the scheme, as it stands today, bears no resemblance to the one announced last year. The entire chapter on the passbook scheme has been rewritten — so much for the pretensions of the long-term policy. Ram also makes it clear that the scheme is not without other flaws. "The scheme has not been extended to the trading houses and export houses. Third party exports which were allowed under the advanced licensing dispensation are not allowed. Nor does it allow provisional exports once the application for the passbook has been received by the licensing authority," he laments.

Perhaps the bane of the three year policy has been the fact that it was designed on the basis of the recommendations of the report of the committee on trade policies, the so-called Abid Hussain Committee report. While those recommendations which focused their attention on the procedural simplifications of this report were incorporated into the exim policy, export boosting measures have yet to be translated into action. As R.P. Jhalani, chairman of the EEPC, says, "The Abid Hussain Committee repor

should be implemented *in toto*. The government should seriously consider making available vital raw materials to the exporters' community on a priority basis, and at international prices. Unless steps are initiated now, the export performance in the current year will slip below last year's poor performance."

Falling between two stools — that of doing away with duplicity of controls, and of boosting exports — the three year policy has resulted in one year of total inaction. As Ram points out, "What we need is the implementation of an incentive scheme to make exports profitable. This scheme does little to woo manufacturers away from the lure of the lucrative domestic market."

In this context, it may be recalled that the 100% export oriented units scheme has ground to a halt with a large number of units preparing to de-bond themselves. All that the government has done is to order a review of the scheme.

Weakened effort. Yet, it must be noted that in all fairness to Abid Hussain, he had left the actual implementation of his blueprint to the working group constituted for the purpose by the ministry. Nearly 18 months later, not a single move has been made in this direction. As J.S. Sandhu (66), managing director of the second largest export house in the country, Chinar Exports Pvt. Ltd. (estimated sales: Rs. 50 crores in 1984-85), complains sadly, "Speeches and reports cannot boost exports. What has happened is that the entire export effort of the country has been weakened. The government is attempting to boost exports by encouraging the manufacturer-exporter,which is ridiculous."

Without a trace of doubt, the lack of specialised agencies to scour the world's markets for domestic output has weakened the thrust of the national export effort. While barely two years ago nearly 1,800 export houses existed, today just half that number are left in the fray. Even the mandarins of the commerce ministry appear uncertain about the potential and role that such houses can play, with little or no incentives being made available to them.

And industry is talking in terms of the relevance of promoting *sogo shosha*-type organisations in handling external trade and investments, abetted by a MITI-type super ministry. If trade is the language of all nations, then the normally verbose Indian exporter, surrounded by a plurality of tongues, is undoubtedly tongue-tied. And this is a silence that could prove very expensive.

Anand P. Raman in New Delhi

ECONOMIC COMMENT — R. J. VENKATESWARAN

Production index lacunae



While presenting the Union budget for 1986-87, the finance minister V.P. Singh expressed satisfaction with the increase in industrial production in 1985-86. He revealed that for the recently concluded year as a whole, the growth rate would be close to 7% and pointed out that "the acceleration in the growth of industrial output largely reflects higher production in the manufacturing sector which had shown low rates of growth in the previous three years." He remarked that "it is heartening that the production response to the changes in industrial policy has been positive."

These remarks are likely to create complacency in the government and the country about the performance and prospects of industry. It is therefore relevant to point out that according to official statistics, several important industries showed a negative growth in April-October 1985 as compared to the same period in the previous year. These were railway wagons (-52.7%), jute manufactures (-14.3%), aluminium (-7.1%) and machine tools (-4.8%). In addition,in 1984-85, several industries recorded a lower growth over the previous year — tea 2.1% *cf.* 6.7%, soap 3.1% *cf.* 4.7%, power transformers 10% *cf.* 24.4% and cotton yarn 5.5% *cf.* 12%. Some of these industries recorded a further fall in production during the period April-October 1985.

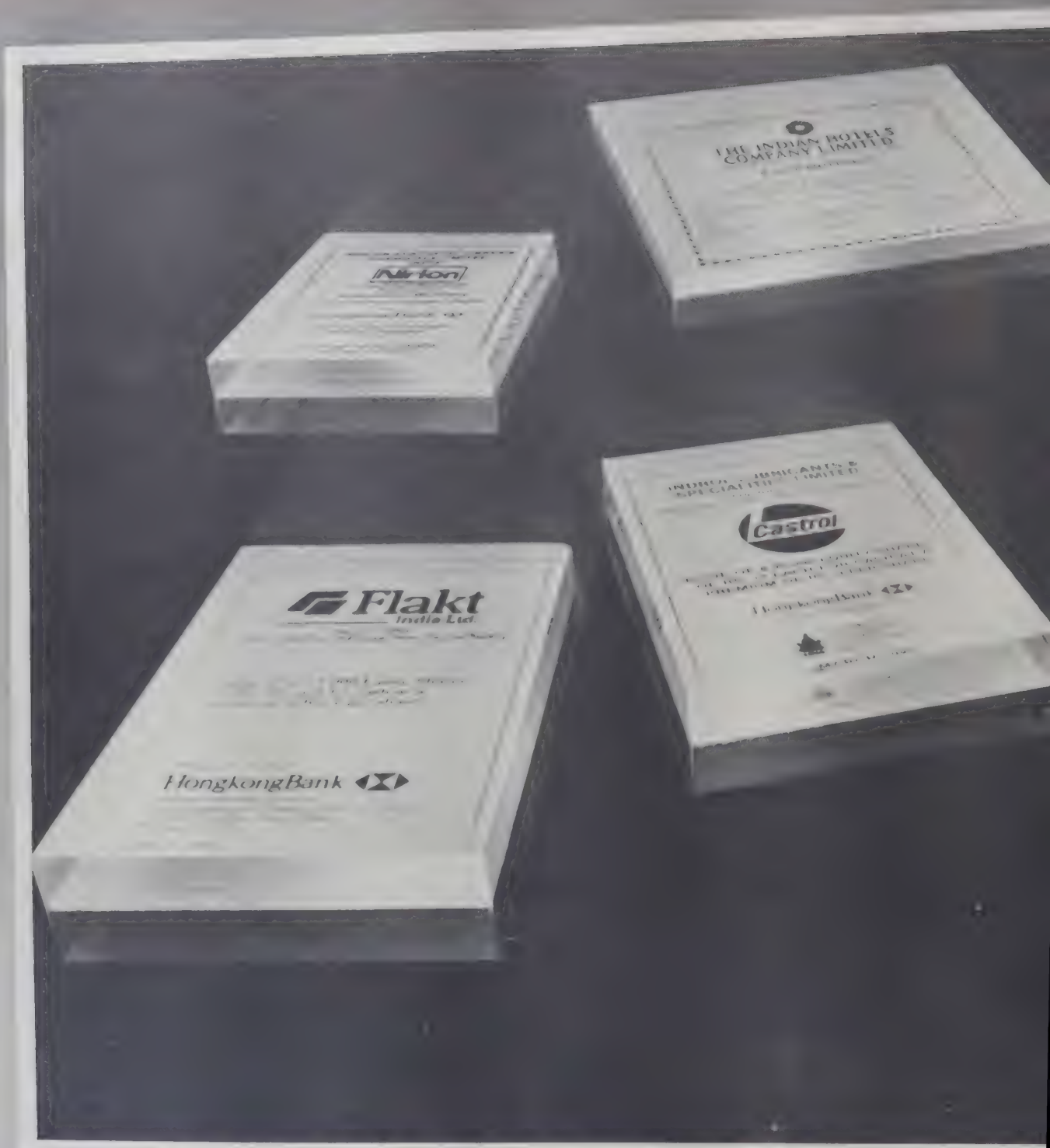
Not reliable. The current index of industrial production with the year 1970 as the base is not a reliable indicator of the actual trends in output. As the pre-budget *Economic Survey* for 1985-86 has pointed out, "Many of the present critical growth areas like chemicals, petrochemicals, garments, gem-cutting and electronics do not have a commensurate weight in the current index (some of them do not find any place at all), while many of the traditional (but currently stagnant) industries, such as the mill sector cotton textiles, command disproportionately high weights in relation to their share in the current industrial production."

These are not the only limitations of the index of industrial production. A more serious lacuna is that it excludes production in the small-scale sector of the economy. The pre-budget *Economic Survey* of the preceding year had drawn attention to the exclusion of the small-scale sector from the index of industrial production and had pointed out that the government was taking appropriate measures to include this data also.

But it seems that the government of India has no intention of going ahead with the task of compiling production figures from the small-scale sector. Says the *Economic Survey* for 1985-86: "Considering the large number of SSI (small-scale industry) units spread throughout the length and breadth of the country, the collection of data from this sector, on a meaningful sample basis, would be a time-consuming process, even if one were to ignore the cost and the stupendous organisation involved in collecting regular, monthly data from a significant number of sample units."

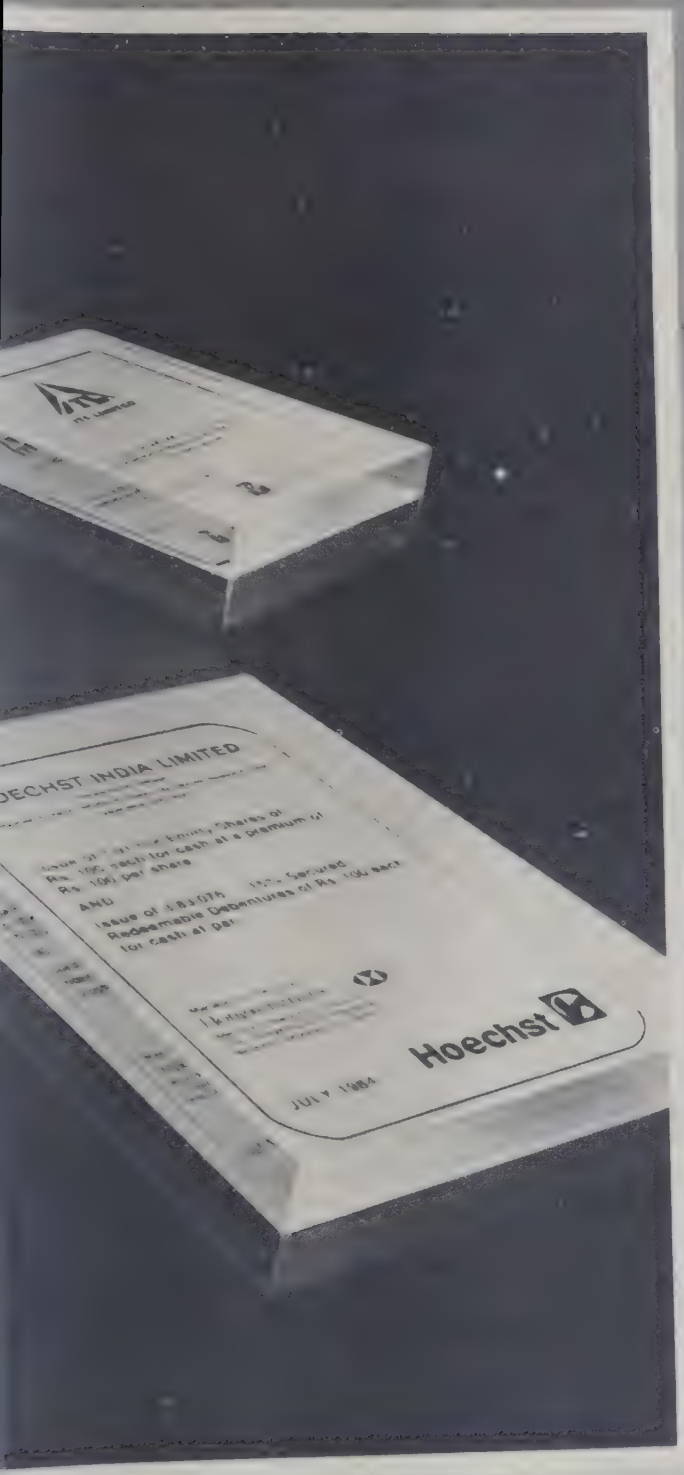
Rising numbers. According to official statistics, the number of small-scale units has risen from 1.15 million in 1983-84 to 1.27 million at the end of 1984-85 and employment in them from eight to nine million in the same period. The value of production in small-scale industries in 1984-85 at current prices was Rs. 50,520 crores *cf.* Rs. 41,620 crores in 1983-84. The total exports revenue of this sector in 1984-85 aggregated to Rs. 2,350 crores — an increase of 8.8% over the previous year.

But how far do these figures really represent the actual performance of this sector? And perhaps more important, how does the government of India propose to weed out the bogus units from the small sector, to which N.A. Palkhivala has recently drawn attention? In a budget analysis speech in Calcutta delivered on 13th March, Mr. Palkhivala quoted from several official sources to substantiate his point. For example, in 1980-81, the 14th report of the Estimates Committee of the Lok Sabha voiced its concern over the "alarming rise" in the number of bogus units in the small sector. But this situation, though unfortunate, is not surprising when we find that even the Federation of Indian Chambers of Commerce and Industry has had to face a split in its ranks over the issue of bogus membership.



Merchant Banking, four times better.

KB-MBD-2



Now rely on our Merchant Banking Division's proven ability in handling blue chip issues in New Delhi, Calcutta and Madras as well as Bombay.

A global network that keeps us in constant touch with every major financial centre in the world.

A team of innovative thinkers who look for solutions instead of excuses.

And a proven record of assisting blue chip corporations in their financial transactions.

These are the strengths that have helped us give our customers the financial edge. Strengths that you can now tap in any of the four metropolitan cities.

Isn't it time we talked?

HongkongBank

The Hongkong and Shanghai Banking Corporation

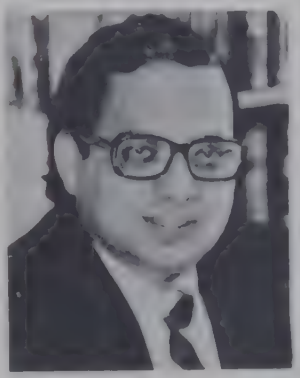
Merchant Banking

Bombay • Calcutta • New Delhi • Madras

We give you the edge where it counts.

Undervalued assets

H.P. RANINA



S.52 of the Income Tax Act, 1961 taxes capital gains in cases where the fair market value of a capital asset transferred by an assessee exceeds the full value of consideration declared by the assessee in respect of such an asset by more than 15% of the value declared. The objective of this section is to curb tax evasion by persons who undervalue assets sold and receive part of the consideration in unaccounted money.

However, it is now recognised by the courts that this provision does not apply to genuine cases of undervaluation where no part of the actual consideration has passed under the table. In fact, it has been emphasised by the Supreme Court that s.52 can be invoked only if an income tax officer is able to establish that some part of the consideration has not been disclosed by the vendor and, therefore, the undervaluation has been resorted to for avoiding the payment of tax.

Recently, this matter came up for adjudication before the Supreme Court in the case of *C.I.T. v. Shivakami Co. Pvt. Ltd. (159 I.T.R. 71)*. The facts of this case were that the company owned certain shares which were not quoted on any stock exchange. It sold these shares to two other companies which were directly or indirectly connected with it at prices considerably less than their break-up value.

MAIN OBJECT

The income tax tribunal found that the consideration was not understated and that the real and main object of the assessee in selling the shares was to safeguard the shares from being taken over by the government in settlement of tax dues. The question was whether the break-up value was the fair market value of the shares and whether the assessee would be subject to tax on capital gains on that basis.

The Supreme Court held that since the tribunal had found that the consideration was not understated and there was no evidence, direct or inferential, to show that the consideration actually received by the assessee was more than what was disclosed or declared by the assessee, s.52 could not be invoked.

This *ratio decidendi* is supported by the judgements of other courts. For example, the Madras high court held in *Sundaram Industries Pvt. Ltd. v. C.I.T. (74 I.T.R. 243)* and in *Shivakami Co. Pvt. Ltd. v. C.I.T. (88 I.T.R. 311)*, and the Bombay high court in *Babubhai Sanghvi v. C.I.T. (97 I.T.R. 213)*, that s.52(1) applies only where a larger consideration has passed between the parties than shown on paper. The courts ruled that this provision is not applicable to honest transactions.

For a transaction to attract the provisions of s.52(1), there must be evidence to show that some amount in excess of that shown in the deed of transaction as receipt has either been received or has accrued. Accordingly, while in general s.52(1) applies to cases of understatement it is not applicable to cases in which the tax authorities are of the view that the property would have fetched a higher price.

As identical words have been used both in s.52(1) and s.52(2), the same interpretation should govern both of them. Both the provisions are designed for the same purpose, *viz.* to prevent avoidance of capital gains tax. While ss.(1) applies to cases where the transferor is directly or indirectly connected with the transferee, ss.(2) does not import such a requirement and the transferor and transferee could well be strangers.

Therefore, the same considerations which apply to ss.(1) would be applicable to ss.(2) on the facts of the case, and the latter provision also is not applicable in cases of honest and genuine transactions. The Gujarat high court has followed its earlier decision on this point given in the case of *C.I.T. v. Rikadas Dhuraji (103 I.T.R. 111)*.

Before *Shivakami's Case*, the Supreme Court had considered the ambit of s.52 in the case of *K.P. Varghese v. I.T.O. (131 I.T.R. 597)*. The facts of this case were that on 25th December 1965, the assessee sold his house, which was purchased by him in 1958 for Rs. 16,500, for the same price of Rs. 16,500 to his daughter-in-law and his children. For the assessment year 1966-67, relevant to the calendar year 1965, the assessee did not include any amount by way of capital gains in respect of the transfer of the said house in his income tax returns. In re-assessment proceedings, the income tax officer appraised the market value of the said house at Rs. 65,000 and assessed the difference of Rs. 48,500 as a capital gain having accrued to the assessee.

The Supreme Court observed that many other similar situations can be contemplated where it would be absurd and unreasonable to apply the rigour of s.52(2) according to its strict literal construction.

The court also reiterated the well-settled rule of judicial construction that where plain literal interpretation of a statutory provision produces a manifestly absurd and unjust result which could never have been intended by the legislature, the court may modify the language used by the legislature or even "do some violence" to it, so as to achieve the obvious intention of the legislature and produce a rational construction. The court therefore held that the fair and reasonable construction of s.52(2) would be to read into it a condition that it would apply only where the consideration for the transfer is understated.

NO APPLICATION

The court concluded that it is not enough to invoke the applicability of ss.(2) on the grounds that the fair market value of the capital asset transferred by the assessee as on the date of the transfer exceeds the full value of the consideration declared in respect of the transfer by more than 15% of the value so declared. It held that ss.(2) has no application in the case of an honest and bona fide transaction where the consideration in respect of the transfer has been correctly declared or disclosed by the assessee.

If, therefore, the revenue seeks to bring a case within the ambit of ss.(2), it must show not only that the fair market value of the capital asset as on the date of the transfer exceeded the full value of the consideration declared by the assessee by more than 15% of the value so declared, but also that the assessee has actually received more than what is declared by him.

In conclusion, it must be pointed out that very rarely has the income tax department been able to discharge the burden of proving that there has in fact been understatement of consideration. Hence, this provision has so far had no effect in curbing the evil of tax evasion.

BusinessWorld
May 26—June 8 1986

Peico's new chief

India's largest consumer electricals and electronics company, Peico Electronics & Electricals Ltd. (formerly Philips India — sales: Rs. 255.6 crores in the year ended 31st December 1985) has experienced a change at the apex level. M.C. Guepin (51) has succeeded C.J. Seelen as managing director of the company. Though Guepin has been in India since September last year, his appointment as managing director was typically confirmed by the government of India only on 28th April.

An economics graduate of Lausanne University, Guepin joined Philips NV — the well-known Eindhoven (Holland)-based electricals and electronics multinational (sales: Rs. 25,819.3 crores in the year ended 31st December 1985) — in 1959 as a management trainee. Since then he has served Philips all over the world in exotic locales such as New Zealand, Peru, Italy and Zaire. And though Guepin denies that he has been sent to India on a specific mission, he quite obviously intends to streamline the company's operations even as Peico enters a new phase of growth and diversification.

"My first impressions are that Peico has too wide a product mix, though I understand that this is because of previous industrial licensing policies of the government of India. Now with the liberalised broad-banding policy of the Union government vis-a-vis the electronics industry having been announced, we are thinking in terms of concentrating on the product lines which fall within four business groups, i.e. consumer products, electronic components, professional electronics — including medical equipment, computers and telecommunications — and lighting. The current thinking is along the lines of concentrating corporate attention on the product lines which fall within these four businesses which we have identified as our thrust areas of the future," says Guepin.

Major thrust. Peico's operational and financial performance in 1985 has also not measured up to Guepin's standards. The company's pre-tax profit at Rs. 4.84 crores was 52% lower than in 1984. "Even in the current year thus far, our financial performance is less than satisfactory. But as we regroup and consolidate our activities under our four major thrust businesses — which will also require organisational restructuring — we expect the financial performance of the company to improve as well," says Guepin.

Vis-a-vis the long awaited entry of Peico into the business of manufacturing television receiver sets, Guepin has some good news for the company's shareholders as also — given the high reputation that Peico enjoys for the quality of its products — for citizens contemplating the purchase of an entertainment box.

"As a non-FERA foreign equity company, we are eligible to enter the television manufacturing industry. Recently we have received a clearance from the Monopolies & Restrictive Trade Practices Commission to commence manufacturing television receiver sets. We are now awaiting a letter of intent from the government of India. As you are probably aware, we are already



Guepin: regrouping and consolidation

marketing a small number of black and white and colour television sets manufactured by small scale units, under our brand names PHX and PHX Trendset. By the end of the current year, we expect to commence manufacturing television receiver sets at our factory in Salt Lake City, Calcutta where we have already created capacity to manufacture 50,000 sets per annum. I foresee no problem is marketing this number," says Guepin.

According to Guepin, the fears reportedly entertained by small-scale television manufacturing units in the country about Peico's entry into this industry are groundless. "For a start our television sets will be in the upmarket category and because of our higher overheads and establishment expenses, will be priced higher than those of small-scale manufacturers. In addition, in our Salt Lake City facility in Calcutta, we will not only be manufacturing 12,500 television assembly kits per annum for small-scale sector units, but also intend setting up a video technical centre in which we will train small-scale manufacturers and provide them with knowhow for absorbing television and components manufacturing technology. One of the conditions of our licence is that we work in close cooperation with the small-scale sector, as indeed we have done in the transistor radio manufacturing industry," says Guepin.

Collaboration agreement. Looking ahead, Guepin is full of confidence about the future. "Philips NV has entered into a collaboration agreement with the Andhra Pradesh government to manufacture 1 million advanced technology flat square colour picture tubes per year in Hyderabad, and has also entered into a collaboration agreement with the Karnataka government to manufacture video cassette recorders. Peico will be closely associated with both these projects. All this combined with the recent liberalisation of the country's industrial licensing and other policies is going to keep us in Peico very busy over the next few years," says Guepin.

DILIP THAKORE IN BOMBAY

Kumar's optimism

The unabated scramble for foreign collaborations that indigenous industrial and service sector enterprises view as being a short-cut to the fast track, has shaken up hidebound traditionalism in some of India's oldest companies. One such company that has responded to this new trend by clambering atop the foreign collaboration bandwagon as well is the 100-year-old Madras-based Best & Crompton Engineering Ltd. (BCEL — sales: Rs. 122.98 crores in the year ended 31st December 1985).

On 21st April at a press conference in Madras, BCEL's chairman and managing director M.K. Kumar (58), who is also a member of the managing committee of ASSOCHAM, announced the signing of a collaboration agreement with the Tileman group, UK — the world leader in the design and construction of tall concrete structures. The agreement will result in the promotion of a joint venture company which will bear the name and style of Beacon Tileman Ltd.

Comments Kumar, "Our contracting division has been the mainstay of Best & Crompton's operations for over 50 years now. However, after Crompton, UK divested its holdings in our company, we have had no direct access to foreign tech-



Kumar: fresh input

nology in this field. We therefore felt the need for a fresh input of technology to modernise our work methods and practices and improve operational efficiency. This is why we have entered into this joint venture project with the Tileman group."

However, according to Kumar, both the companies will benefit by the collaboration. This is because the government of India has decided to substantially increase the number of coal-based power plants and India could become a major market for the kind of technology and services that the Tileman group has to offer.

Continuing access. "Through this agreement we will get access to state-of-the-art technology, and since this is a rapidly developing field, a joint venture will give us continuing access to the latest developments.Which is why we preferred this type of collaboration to a short-term technical collaboration. We are also studying the possibilities of tying up with other overseas firms as well, and negotiations with leading consultancy groups abroad are now in progress," says Kumar.

Kumar is at pains to point out that this is by no means the first attempt at collaboration for BCEL since the company has already concluded technical collaborations with Neyrpic de Grenoble (NDG), France and Windmatic, Denmark. The collaboration with NDG involves the manufacture of a wide range of mini-hydel generator sets capable of generating up to 20 Mw of power while that with the latter involves the production of a range of wind energy equipment.

The company is also seeking ways to increase its presence in the field of industrial electronics and computers. Says Kumar, "With the advantage of our long association with some of the major users of industrial electronic systems, the scope for diversification into the industrial electronics field is bright and to exploit this opportunity to our advantage, we have set up a new company — Three C Systems. This will be the nodal company that will monitor all our investments in this field in the future."

Three C Systems (the three C's stand for computers, communications and control) has entered into a joint venture project — Time Computers (I) Ltd. — with Time Computers, Australia which will have a 40% equity stake in the former. The first lot of 16 kilobyte portable computers named Prodigy — the first of its kind in the Indian market — is expected to be available in the market by June this year. The machine will be priced at around Rs. 30,000 and is essentially aimed at the institutional large users' market. In addition, the company is also working in tandem with the Electronics Corporation of Tamilnadu Ltd. to manufacture a range of telecommunication equipment using the indigenously developed C-DoT technology.

Considerable scope. Comments Kumar, "1985 has been a year of consolidation for us, after the phase of continued expansion spanning the last few years. However, we are all set to resume our growth during the Seventh Plan period since there is considerable scope for further expansion in all the areas in which we are currently engaged."

With new technologies being infused into this traditional Madras-based engineering major, Kumar's hopes for the future are not unlikely to be well founded.

CHANDU NAIR IN MADRAS

Gokarn's double issue

If an impressive track record is an adequately persuasive selling point, then M.V. Gokarn (39), a mechanical engineering graduate of Mysore University and managing director of the Rajkot-based Dynamatic Forgings India Ltd. (DFIL — sales: Rs. 18.33 crores in the year ended 31st March 1985), has little to worry about. For DFIL — which is scheduled to enter the capital market shortly — has just about as impressive a track record as any company could possibly have: its sales turnover jumped from Rs. 46.37 lakhs in 1978-79 to Rs. 18.33 crores in 1984-85,representing an annual average rate of growth of 642%.

Indeed, Gokarn is confident that when DFIL enters the capital market on 8th June with two separate public issues of 30 lakh equity shares of Rs. 10 each for cash at par linked to 3 lakh non-convertible 15% debentures of Rs. 100 each, and 2.5 lakh fully convertible 13.5% debentures of Rs. 160 each, investors are likely to be impressed by such a track record. And if rapid growth in turnover isn't enough to persuade the investor, Gokarn has a long list of impressive facts and statistics to provide the clincher.

Comments Gokarn, "DFIL today is one of the most respected names in the forgings business and we supply forgings to a



Gokarn: highest productivity

long list of original equipment manufacturers including TELCO, Bajaj Tempo, Kinetic Engineering, Mahindra & Mahindra, Ashok Leyland, the Kirloskar group of companies and many others. Our products are recognised as being of the highest quality both in the domestic and export markets. We command a 90% share of the domestic market for diesel engine crankshafts and tie pins and a 40% share of the domestic market for connecting rods. We can boast of a fully equipped metallurgical laboratory and our own die shop, apart from the fact that we have the highest labour productivity in the industry and the lowest fuel and tool consumption rates in the country."

Impressive record. Nor is this all. Gokarn claims that his company has an impressive record in financial perform

ance as well. On a paid-up capital base of Rs. 4.75 lakhs, the company has accumulated reserves of Rs. 2 crores or over 42 times the value of paid-up capital. The company's net worth has increased by 2,819% over the last six years from Rs. 7.68 lakhs to Rs. 2.24 crores, while the gross block has risen from Rs.11.40 lakhs to Rs. 10.12 crores or by 8,777%. Profit before tax as a percentage of net worth has consistently remained above 57%, while profit before tax as a percentage of sales turnover has been in the region of 7%-9% per annum.

Given such a track record, it is perhaps not entirely surprising that the company's equity shares are reportedly commanding an unofficial premium of Rs. 20 in the Bombay stockmarkets, and Gokarn is confident that his equity-linked debenture issue will be oversubscribed. "We propose to raise a total of Rs. 14.75 crores from the public, financial institutions and promoters, which will be used to take over the existing assets of Dynamatic Forgings India Pvt. Ltd., — DFIL's predecessor — at their written down book value, and to finance an expansion of the productive base substantially. As a result of the expansion, production will increase from 13,500 tonnes of forgings per annum to 16,000 tonnes per annum, and we will also be able to manufacture much larger forgings of the 200 kg size," says Gokarn.

With an expanded range of products and a larger production capacity, Gokarn is not surprisingly inclined to take a somewhat rosy view of the future. The chances are that investors are likely to concur.

MICHAEL NERI IN BOMBAY

Karnataka's sorrows

The year 1986 hasn't been the best of times for the state of Karnataka. Beginning with the political crisis resulting from the dramatic resignation of chief minister R.K. Hegde in February, the state has been visited by more than its fair share of problems in recent months. For even as a widespread drought continues to cause acute distress in the northern region of the state, a growing power shortage has sent the state's industrial sector into a tailspin. And though, in a state that is so heavily dependent on hydroelectric sources of power, the intensifying power shortage is likely to be attributed to the wrath of the gods, man-made causes have played a not insignificant role as well.



Vasudeva Murthy: extreme measures

Thus when the 210 Mw Raichur thermal power plant broke down recently, necessitating its closure for six weeks, it proved to be the last straw for managers and entrepreneurs in industry and their protests were both loud and audible. Before the Raichur unit went off the grid, the power shortage in Karnataka was estimated at 4,527 million units per day, and this despite substantial power imports from neighbouring states.

Not surprisingly, the recent announcement of a further 10%-15% power cut over the present levels has provoked the newly elected president of the Federation of Karnataka Chambers of Commerce and Industry (FKCCI), R. Vasudeva Murthy (57), to articulate the frustrations of managers in industry over the power shortage and other long-standing problems as well. Murthy suggests, as an "extreme measure," the temporary closing down of power-guzzling units such as the VISL, Bhadravati; INDAL, Belgaum; MCF, Bangalore; and Ballarpur Industries, Dandeli, so that 2.12 million units of power can be 'saved.'

Crisis situation. He is also unhappy about the delay in the commissioning of several power projects conceived to tide over crisis situations such as the present one. "The Union government is dilly-dallying over the clearance of a state government proposal to install imported diesel generating sets of 120 Mw aggregate capacity. Captive generation by a cluster of industries in the private sector should be more actively encouraged through incentives such as cheaper finance and subsidies. No doubt the Central government is not averse to the private sector making its own arrangements for captive power generation on a large scale, but implementation is a different matter altogether. The Birlas, for instance, have still not managed to put up a 50 Mw plant which they have been considering for a long time. Since mobilising investible resources for large captive power plants is a big problem for the private sector, I would suggest that the government promotes a utility company for the exclusive use of private sector subscribers. The power shortfall in Karnataka is today serious enough to result in the closure of many industries which in turn would lead to industrial unrest."

On the positive side, Murthy is happy about the withdrawal of the tax on inter-corporate dividends; the announcement that raids on residential premises of businessmen will be discontinued; and the raising of the exemption limit for small-scale industries from Rs. 7.5 lakhs to Rs. 15 lakhs for Central excise clearances and to a further Rs. 30 lakhs if they manufacture more than one product.

Measly provision. Yet he is sore over the delay in the conversion of the Bangalore-Mysore rail link into a broad gauge line. The Union railway budget for 1986-87, he points out, has made a measly provision of Rs. 49 lakhs for the project against the requirement of Rs. 22 crores; eight years ago it was estimated to cost Rs. 12 crores. And while the Bombay-Miraj broad gauge line has been completed with alacrity, electrification of the Bangalore-Jolarpet section seems to have been abandoned.

"I do not think the conversion of the Bangalore-Mysore rail line will ever be taken up seriously. And that is a pity because the railways can earn substantial revenues from copra shipments from places such as Tumkur, Tiptur and Arsikere which are currently suffering on account of pilferage during transhipment and delays in transit," says Murthy.

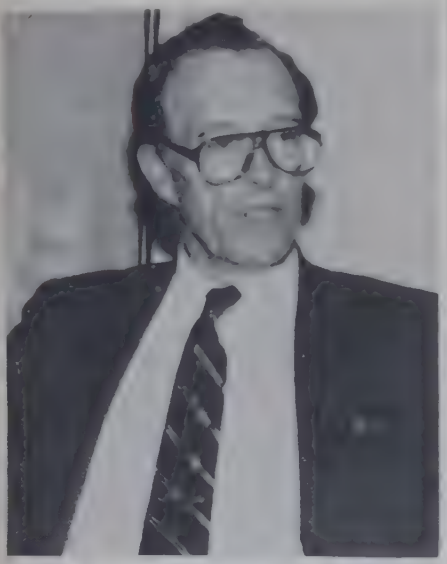
On the much publicised split in the Federation of Indian Chambers of Commerce and Industry (FICCI), Murthy is guarded in his comments. "That FICCI has many bogus members is a known fact. But the split has made the voice of Indian industry feeble in government circles. I wish the federation had patched up its internal quarrels. Our federation is affiliated to FICCI, whose strength is admittedly much depleted now, but we will continue to be members of FICCI till our members decide otherwise," he concludes.

N. RAGHAVAN IN BANGALORE

Citicorp advice

Citicorp, the umbrella company of the New York-based Citibank NA and its subsidiaries which constitute the world's largest commercial bank (assets: $173.59 billion in the year ended 31st December 1985), is keen on expanding its India operations. This was confirmed by Donald S. Howard (57), vice president and chief financial officer of Citicorp.

A graduate of the North Western University and Harvard Business School, Howard signed up with Citibank in 1957. "My visit to India is partly of a routine nature: to look at the progress and performance of our India operations," says Howard who was in Bombay recently. "Yet, this apart, there is also a tremendous amount of interest in the United States about India which has been receiving considerable publicity back home in recent times. We are aware that the investment climate in this country has been liberalised of late. Even as a casual visitor who has been here for a short while, I have been able to experience a discernible difference in the general mood within the banking and industrial community as compared to five years ago when I was last here. I have also noticed a change in the attitude in the Reserve Bank of India and in the ministry of finance with whose officials I have held talks," adds Howard.



Howard: attitudinal change

Howard takes considerable pride in emphasising that Citibank has established close and enduring links with the larger indigenous banks. "Though our role in deposit mobilisation is small enough to be minuscule compared with the domestic nationalised banks, it would be erroneous to presume that we have a hostile or competitive relationship with them. On the contrary, there is close cooperation between the nationalised banks and Citibank, particularly in the matter of financing imports and exports and in furthering Indo-US trade," says Howard.

Services offered. Despite its relatively small presence in India, Howard believes that Citibank has a lot to offer the banking sector and Indian industry as well. According to Howard, Citibank is the first banking group in India to offer an electronic international banking service to the major local banks. Currently it offers this service to all the nationalised banks. In particular the service offered is to arrange for quick transfers of funds globally and to monitor foreign exchange accounts for client banks.

Another cause for Howard's satisfaction is that Citibank (India) introduced its consumer banking operations last year and public response has been enthusiastic. Now the bank is in the process of finalising two new types of banking services for its clients, i.e. providing economic information and helping client banks to develop banking software to computerise their operations, he adds.

"The banking community as a whole — and Citicorp is no exception — accords India a good rating in relation to its credit-worthiness and its economic performance. I believe that this is an opportune moment for India to set aside its traditional fears about raising commercial finance in the international money market. At the same time the Indian government needs to overcome its inhibitions about foreign investment. If the highly popular and newly elected government acts decisively, it could give a tremendous fillip to India's growth," concludes Howard.

SIMA BHATTACHARYA IN BOMBAY

Humane crusader

Change is largely synonymous with development but it also brings in its wake inevitable disruptions and dislocations. Which is perhaps why resistance to change is a frequent human response and one which society has to live with. But Enid Mumford, director of the Computer and Work Design Research Institute and professor of organisational behaviour at the Manchester Business School, University of Manchester, UK, is convinced that people will actively welcome change if they believe that it brings with it personal benefits. "Conversely, if they see it as a potential threat," says Mumford, "they will oppose it for logical reasons. The frequent resistance to the introduction of computers into the office is a typical example of the way people react to technologies that they perceive as being threatening."



Mumford: human element missing

Given this reality, it is not surprising that Mumford — who is currently visiting the Administrative Staff College of India and the Indian Society for Industrial & Management Development, both based in Hyderabad — feels that technological changes are generally biased in favour of efficiency gains rather than conferring human benefits. "The human element is missing in this approach, for people are an integral part of all work systems, and people have values, attitudes and psychological needs. A neglect of their interest can throw a change situation into a state of disequilibrium — leading to a situation where inefficiency may increase rather than decrease," she adds.

Mumford takes considerable pride in the fact that her views are almost diametrically opposed to those of most social scientists in this respect. "I concentrate on designing systems that help people, particularly lower level staff — clerks, assistants, etc. Computer and other technologies are introduced by

people who are interested in technical and technological success, rather than in human beings. My approach is to create human benefits along with technological and business gains," emphasises Mumford.

Three objectives. According to Mumford, the management of change should have three objectives. First, it should seek to legitimise a value position in which the user of a computer system for example is encouraged to play a major role in the decision-making process. She argues that people should be able to influence the design of their own work situation and that if this kind of intervention is encouraged, the pay off will be higher both in terms of job satisfaction and efficiency gains.

The second objective, according to Mumford, should be to enable groups concerned with the design of a computer system to set specific objectives with regard to job satisfaction in addition to the usual technical and operational objectives. She asserts that unless the objectives of job satisfaction and the quality of working life are made explicit, the human impact of a new computer system will be unpredictable, because it has not been consciously planned for.

Ensuring that a new technical system is dovetailed into compatible and well functioning organisational systems should be the third objective, says Mumford. This should include man-machine interaction, design of work procedures, individual jobs and workgroup activities, and the specification of roles and relationships within the functional areas where the new technical system is being introduced.

Not surprisingly, Mumford is highly critical of computer system designers. "In their haste to bring about changes, they have not realised that they are designing partial systems. In order to do their job completely and effectively they must be competent designers — both in technical and human design tasks," she says.

The design approach currently in use is not informed by a clarity of objectives concerning the role of man as man, although objectives are clearly defined for "men and machines" — says Mumford. "When man is considered to be only a link in a system, design rules do not exist for allocating appropriate tasks to man nor are there design rules for designing tasks in configurations that make for complete and meaningful jobs," concludes Mumford, a crusader of humanistic technology.

P.L. DIWAKAR RAO IN HYDERABAD

Khaitan breeze

Even as the mercury shoots upwards on the plains of India, the citizenry — all but a microscopic minority who can afford the luxury of air-conditioning — inevitably turns its collective mind on ways to beat the heat. For fan manufacturers in particular this is the peak season. One such fan manufacturing firm which plans to sew up its market lead and manufacture an additional 1.5 million fans per year at a new plant set up in Calcutta at an estimated cost of Rs. 2.3 crores, is Khaitan Fans (India) Ltd. (KFIL).

Talking to newsmen in Calcutta recently, S.K. Khaitan (46), the chairman and managing director of KFIL — a company in the Khaitan group of companies (aggregate sales turnover: Rs. 30 crores in the year ended 31st March 1985) — and also the incumbent chairman of the Fan Manufacturers Association of India, commented: "The annual demand for fans per year is around 8 million and is on the rise year after year, commensurate with the steady increase in construction and building activities. Moreover, with about 1,18,000 villages to be electrified during the Seventh Plan period and with greater emphasis being placed on electrification, a strong demand for fans is expected from the rural hinterland. Given the general improvement in the living standards of the people, the overall prospects of the fan industry are bright."



Khaitan: bright prospects

To cash in on the prevailing current of optimism within the economy, KFIL is going public to raise Rs. 1.1 crores by issuing 11 lakh shares of Rs. 10 each for cash at par. Of this issue, 80,000 equity shares have been reserved for allotment on a preferential basis to the employees of the company including its directors, while the balance is being offered to the public.

Interesting tale. While the Khaitan name hardly needs any introduction today in the context of fans, Khaitan's career as an entrepreneur makes an interesting tale. Barely 15 years ago he started out modestly, producing just 200 fans a month in a small factory in Calcutta. Today the group, besides manufacturing fans, also makes room cooling equipment and household electrical appliances and includes two widely held and solidly profitable companies, *viz.* Khaitan Electricals Ltd. and Khaitan Tibrewala Electricals. KFIL will be the third public company within the Khaitan group. Says Khaitan, "Commercial production in KFIL has started in February this year and sales turnover has already crossed the Rs. 70 lakh mark at the end of April. We expect to attain a turnover of Rs. 15 crores during fiscal 1986-87 and a profit of Rs. 1.1 crores during the same period barring any unforeseen circumstances."

Making a sales pitch, Khaitan says that the group already has a 20% share of the national market for fans and has achieved an outstanding growth rate of 71% in 1985 alone as against 5.2% for the fan industry as a whole. Besides manufacturing ceiling and table fans, the company also produces exhaust and industrial fans.

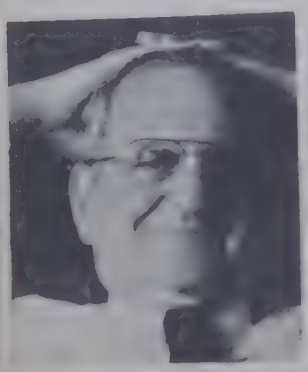
Khaitan's optimism about the future of KFIL notwithstanding, there is no gainsaying that the company is likely to face stiff competition from other manufacturers such as Polar, GEC, Usha, Crompton Greaves and Orient to name a few of the heavyweights in this line of business. Yet Khaitan is undaunted. "Ours are superior quality fans available at lower prices. We have a wider sales network too. Our premise is that consumers are discerning and brand-conscious and will therefore put their faith in our brand name which is very well known." Indeed, so confident is Khaitan of success in the competitive marketplace that he has already drawn up plans to create an additional capacity of 2.4 million fans "in a very short time."

Quite obviously a stiff breeze, which Khaitan believes will be beneficial to the country's growing number of purchasers of electric fans, is unlikely to blow other fan manufacturers much good.

ASHOKE LAHA IN CALCUTTA

Talking sense on energy

LEE A. IACOCCA



A couple of weeks ago we saw one of those rare cracks in the Reagan administration's fanatic devotion to the "free market" when vice president George Bush simply suggested that a little stability in world oil pricing might be a good thing.

Wow, all hell broke loose. It was heresy, and some of the real purists blew their corks. After all, the free-fall in oil prices right now is the greatest thing that has ever happened to supply-side economics. After five years of insufficient revenues and record deficits that were just starting to catch up with the US, we get a reprieve through this cheap oil windfall.

All the vice president said was that the US needed some "stability," and immediately the White House press people began issuing "clarifications" telling Americans that no matter what, they still believed in the free market, and oil prices could go wherever they damn well pleased

MAKING SENSE

Now, I know Mr. Bush got in trouble with some of his friends, but he was the only guy in the club making sense that week. I hope some of the others were listening.

I should be dancing in the streets with the trickle-down guys, I guess, because Chrysler's selling its high-profit V-8's as fast as we can make them. And General Motors (GM) and Ford got the federal fuel economy law changed so we can sell even more of those big cars.

But I'm not dancing, because I've got a long memory. I know cheap gas for what it is, and it's a drug habit. Americans got hooked on it twice before, and when OPEC shut us off, we got the DTS (*delirium tremens*) and my company almost died.

It was so serious in the seventies that the US practically declared a national emergency. Americans got scared enough to do some smart things. We started conserving energy and encouraging domestic exploration. We vowed we'd regain our independence from OPEC and that they'd never get us by the throats again.

And it worked. The US has cut its per capita energy consumption by a whopping 20% since the first oil shock in 1973. It worked so well, in fact, that OPEC came apart like a three-dollar watch.

Now some of the same people who rigged oil prices up in the seventies are rigging them down in the eighties to whip the cartel back in shape and regain control of the market. When that happens, watch out because oil prices will go through the roof all over again, and we'll be right back where we started.

But we don't have to let that happen. The US can protect itself. There are two things Americans can do, and both of them will hurt a little.

First, we hang on to the conservation programmes that worked, like the corporate average fuel economy (CAFE) law. The government caved in to the big two last year and rolled back the standards for the 1986 models and it looks like they'll cave in again on the '87 and '88 cars. (And it saves GM and Ford $700 million in fines to boot—talk about bail out!)

Chrysler has fought the rollback, and the others say we're poor sports because we put more fuel efficient cars in our fleet and we're able to meet the standards. Well, sure we did. Hell, it was the law, and we obeyed it. Isn't that what we were supposed to do? I never thought you'd be a sucker in the US for obeying the law!

And the law made sense. We drove right into OPEC's ambush with our gas hogs twice already. Are we going to do it again?

HUGE DENT

Second, the US ought to put a tax on gas and an import fee on oil to keep our feet tied to the fire on conservation, to let our domestic producers compete, and, incidentally, make a huge dent in our federal deficits. I was calling for a gas tax three years ago when it was $1.20 a gallon, and now that the US budget deficit has gone past $200 billion a year and gas is 69 cents in some places, it makes more sense than ever.

The US has been joyriding on cheap gas all along. Even before OPEC unravelled, we had the cheapest gas in the world—by far—because we refused to tax it like other countries.

The US federal tax is only 9 cents, and when you add in state and local taxes, the average in America is still only a quarter. In Germany, that same gallon has 85 cents in tax, in Sweden, a dollar, in France, $1.55, and in Italy it's $1.71.

The truth is, Americans really have a made-in-heaven chance here to do something about the deficit without much real pain to consumers. God and OPEC will never be this good to us again. Every penny at the pump gets a cool billion bucks, and every $1 on a barrel of imported oil means almost $2 billion.

So 15 cents at the pump and a dollar per barrel on imported oil is a quick $25 billion. By the way, if you think the controversial $5 import fee is a bail out for the oil industry then go with a 25 cent gas tax—that's still $25 billion.

But let's be sensible. Cheap Middle East oil can drive many US producers to the wall, and America can't afford that. We can't afford to give up the energy independence we fought for. The oil industry paid a windfall profits tax when they were raking in the dough. Now they're in trouble, and an oil import fee would have the effect of a windfall profits tax in reverse.

They re in a bind, whether they admit it or not. We're *all* in a bind. They say they're still totally committed to the free market, and how oil prices are like life-support to Reaganomics, right now. But there's a cost. Now we're beginning to see that there may be some serious potential consequences to this big windfall.

Like some US oil companies maybe looking for a Chrysler deal. Like some banks maybe getting in deep trouble. Like Mexico maybe facing default. Like some friendly governments maybe tipping over.

It's the old story—there's no free lunch. And there's no free energy, or even cheap energy. The US will pay a steep price later on in higher prices, and in a loss of its independence, unless it puts together a sensible energy policy now, and sticks to it. Pure and simple, would somebody in Washington tell us what the hell our energy policy is?

Because of Americans' addiction to cheap gas, we've let ourselves get kicked in the head not once, but twice. I can't believe we're going to give the people who did it a chance for a hat-trick.

THE AIR FRANCE WELCOME: OUR INDIAN TOUCH MAKES THE DIFFERENCE



Enjoy the French hospitality with an Indian touch when you fly in the company of Air France. Indian meals are available on board our main long-haul flights if requested 24 hours in advance.

On arrival in Paris, our Indian hostesses will welcome you in our CDG2 Express Terminal. They will greet you in your own language and ensure that your stay or transit is as pleasant and trouble-free as possible. Next time you travel to Europe or onwards, fly Air France and enjoy the difference.

AIR FRANCE
WE'RE AIMING EVEN HIGHER

Graphisads/5619

One of the things about Bangalore is that it's always in bloom — season after season. Anything that takes seed here grows. And that holds good for the seeds of enterprise as well... making Bangalore the fastest growing metropolis in India.

With a fantastic growth rate of 76.1% over the last decade, Bangalore has shot ahead of even Delhi, Bombay and Calcutta. And when people call it the new Mecca for industrialists, you can see what they mean.

The corporate giants are moving south to make Bangalore their base. Take for instance Brooke Bond, Madura Coats, McDowell, and Lipton who have already made the move. Another indication of investment flowing in is the growing number of hotels from the largest hotel chains of the country. ITDC's Hotel Ashok, Welcomgroup Windsor Manor, Holiday Inn, West End and Taj Residency of the Taj Group.

So, who's been part of this growth story?

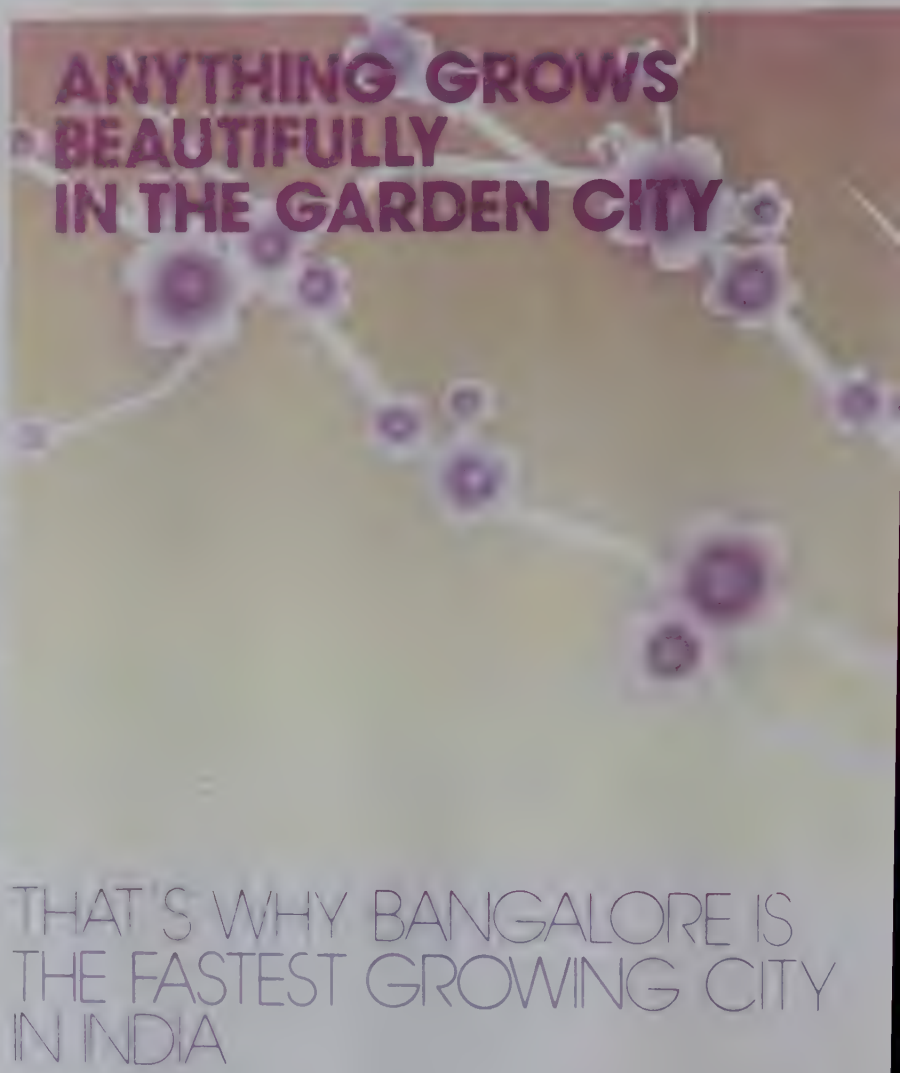
In the growth story of any city, its newspaper institutions play a highly critical role. Not just in news reporting. Or in the reflection of views. Importantly, it's in giving talent and enterprise the wide audience it deserves. For public interaction. And support. Also to give readers a fair and accurate picture of developments.

It's a responsibility **The Deccan Herald Group** has lived up to in more ways than one. The Group, Bangalore's oldest publishing house, brings out four No. 1 publications. **Deccan Herald**, the mainline English daily. **Prajavani**, the most popular Kannada daily. **Sudha**, the complete Kannada family weekly. And **Mayura** the most widely read Kannada monthly.

The 'listening post' — world-wide

The Deccan Herald Group tunes in to the world through a network of strategically based correspondents covering the US, the UK, Europe, the Middle East, Bangladesh, South East Asia and the UN.

It also widens its canvas with news and feature arrangements, with the Washington Post, the Financial Times the Los Angeles Times, Asia Features and Gemini.



THAT'S WHY BANGALORE IS THE FASTEST GROWING CITY IN INDIA

Graph indicates the Reach of THE DECCAN HERALD GROUP of publications in Karnataka in their respective categories. (Deccan Herald reaches 76.3% of all adults reachable through English dailies.) Source: NRS III

PML-1879-B

he nerve centre links up with the national network

he Group's Head Quarters in Bangalore is a hive of activity. uzzing with news stories from all over. Right from up-to-the-inute despatches sent in by its fully staffed news bureau in elhi, reports from correspondents in Bombay, Calcutta, adras and other state capitals, to news in the pipeline from he national news agencies. All this, co-ordinated by a large ureau of staff reporters in Bangalore.

When a newspaper becomes an 'institution'

What started off as a small newspaper in 1948, is the largest, most modern publishing house in Karnataka... among the foremost newspaper houses in the country. With sophisticated facilities in design, layout, photosetting and offset colour printing.

All of which means unparalleled state-wide influence. 'EXCELLENT COVERAGE' in other words. To readers it means news. And to advertisers, it means readers.





THE DECCAN HERALD GROUP

75 Mahatma Gandhi Road Bangalore 560 001

In communications, space and defence what you don't see matters most!



Over 10,000 high-technology test and measuring instruments and systems in more than 70 establishments nationwide.

There is probably no major space communications or defence establishment in India today, which does not depend on these systems from Blue Star. For accuracy of tests and measurements. R & D. control. manufacture and maintenance.

Behind the scene. Blue Star Electronics is at work where it matters most.

Total Electronics Capability

Blue Star in association with Hewlett-Packard, Hitachi, Scientific Atlanta, Technicon, Yokogawa Hokushin, Johnson Controls and Jeumont-Schneider—each a leader in its own field—has been in the forefront of Electronics for over 30 years.

Among the products it markets – and increasingly manufactures in India – are: State-of-the-art Computer Systems and Business Machines, Analytical Instruments. Medical Instruments. Test and Measuring Instruments, Process Control Instrumentation, EPABX Systems and Professional Electronic Components.

These are backed by over 1000 man years of specialised experience of over 200 professionals.

Blue Star also exports Computer Software to technologically advanced countries.

State-of-the-art Solutions

Business, Industry and Government. Defence, Space and Telecommunications. Medicine, Research and Education. Increasingly, they will need Electronics.

And that's where they will find Blue Star.

In the vanguard of technology. With a total package of state-of-the-art solutions to their complex problems.

THE BLUE STAR PACKAGE

- State-of-the-art, high technology products from world leaders
- Prestigious manufacturing collaborations: Hewlett-Packard, Jeumont-Schneider, Yokogawa Hokushin
- Systems-engineering capability of foreign-trained Blue Star scientists and engineers, for solutions to customer needs
- Customer support services: technology update seminars; demonstrations and training programmes; ever-expanding technology applications library; electronics R & D centre; countrywide network of service centres; calibration and workshop facilities; ample stocks of spare parts.

★ BLUE STAR
the hi-technology Company

JAISONS BS 12885

Tea tasting

A profession surrounded by a mystique peculiarly its own is that of the tea taster. Until very recently tea tasting was the exclusive preserve of a small coterie of public school-educated, golf-playing, well-paid professional gentlemen. Beyond the boundaries of the tea industry, a general ignorance existed in the mind of the lay public as to the exact function of the tea taster, which was somewhat vaguely compared with that of a wine taster. In addition, the profession was so traditionally conservative and male dominated that a woman was never seen at a tea auction or inside a tasting room.

However, recently, there have been major developments in the tea industry, such as the acquisition of major tea companies like Lipton India Ltd. by the consumer products giant Hindustan Lever Ltd.; government rulings which have affected the quantity of tea that passes through the auction system; and the new competition which threatens India's premier position in the world tea market. Consequently the profession of tea tasting has also been forced to break away from its traditional practices in order to stay abreast in a fiercely competitive and problem-prone business environment. Today this profession stands on the brink of major changes, functional diversification and developments. And this broadening perspective has opened the doors to new and broad-based talent.

Four senses. The functions of the tea taster are governed by three aspects of the trade—selling, broking, and buying and blending, depending on which aspect he or she may be involved with. The very word 'taster' is in fact a part-nomer, for the tea taster uses the four senses of touch, taste, sight and smell in his work.

The sellers are usually the producers and individuals who actually grow tea. At present there are 13,300 tea gardens in India. Every tea planter has to taste some of his garden samples in order to determine gradation, defects, etc. However, the planter is not a lone taster and expert tasters, usually from the broking houses, also taste garden samples and give their opinions. This type of taster also tastes and evaluates tea for export as the majority of export teas do not go through the usual auction system.

Tea brokers, comprising large broking firms such as the Calcutta-based J. Thomas and Carrit Moran, as well as smaller firms and individuals, employ the largest number of tea tasters. In the seventies, the increasing quantity of tea diverted out of the auction system had hiked tea prices to such an extent that in 1984, the Tea Marketing and Control Board ruled that 70% of all tea has to be sold through auctions. Only export teas are exempt from this ruling. However, of the 2,20,000 tonnes which India exports annually, 1,80,000 tonnes is exported by merchants who do not own gardens and thus they purchase their tea through the auctions.

There are 15 large auction-broking firms in India and many more smaller brokers. The main auction centres are Calcutta, Gauhati, Siliguri, Cochin, Coimbatore, Coonoor and Amritsar.

'Today a taster cannot depend on his technical competence alone. A strong commercial acumen is necessary as well as the capacity for innovative thinking. In the auction houses tea tasters are eventually required to conduct tea auctions — a procedure as baffling to the layman as the stock exchange is to a newcomer'

Registered brokers are required to evaluate the teas for export, which are not routed through auctions. On the advice of their tasters, brokers recommend the prices, which are then sent to the Tea Board for sanctioning.

Different combinations. Buyers and blenders form the third category which employs tasters for the purpose of blending packet teas which cater to 26% of the national demand. They also price them for export to overseas customers. This category includes the well-known firms Brooke Bond, Lipton, as well as the smaller concerns and retail dealers catering to the domestic market. The tasters sample the different brands of teas keeping in mind the requirements of each identified market segment. The highly flavoured weak teas have a small, elite clientele, while strong CTC blends are brewed in wayside tea shops. The tasters attempt to simulate conditions under which each brand is sold.

Although the purposes of tasting different teas vary, the actual method remains constant. Samples are drawn from tea chests and 14 days before sale, are put into paper pouches and distributed to buyers. The buyers then weigh out two and a half grammes of tea which is put into a ceramic infusion pot which has a standardised, constant weight. Boiled water is poured over the tea and left to brew for five minutes.

The taster looks at and feels the dry leaf, studies the infusion, smells it and then takes a sip, swilling it around before spitting it out. He then describes the tea in a catalogue under the headings of dry leaf, tea and infusion. Tasting is done against a set standard on a 1-10 scale. A number of such scales exist and are selected according to the type of tea being tasted.

Like so many professions in India, the tea taster learns his trade on the job. No schools or courses which can train an aspiring taster exist. Usually the companies recruit academically bright graduates from any discipline. They then receive initial training both at the tasting centres as well as the tea gardens.

The taster's stock in trade is a sensitive palate. A thorough knowledge of the manufacture and biochemistry of tea from the leaf-plucking stage to its actual dispatch is the only aid a trainee can acquire previously.

Commercial acumen. Today a taster cannot depend on his technical competence alone. A strong commercial acumen is necessary as well as the capacity for innovative thinking. In the auction houses tea tasters are eventually required to conduct tea auctions—a procedure as baffling to the layman as the stock exchange is to a newcomer.

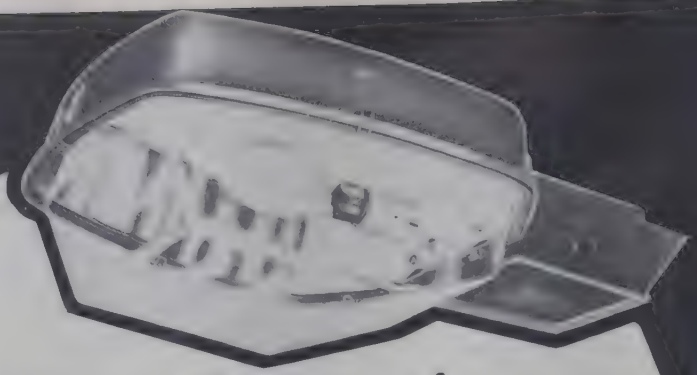
At present there are about 20-25 tasters employed by each of the major tea companies. In addition, there are numerous smaller organisations that deal in tea and do their own tasting. The factories for tea packeting and blending have quality controllers who are also tasters.

Apart from the individual who owns a trading operation, tasters employed by the major tea companies have always enjoyed lucrative remuneration and perks rarely matched by other industries. A trainee taster can expect to start at a salary of Rs. 1,500-1,800 per month and enjoy benefits such as car allowance, soft furnishings, club membership, etc.

The process of change has been slow in the traditionally conservative tea industry. Though for many years the unquestioned world leader in tea, it is only now that the Indian tea industry is changing to suit the temper of the times. Consequently, the profession of the tea taster, while retaining its technical base, has become wide open to administrative diversification, bringing it new and exciting career challenges.

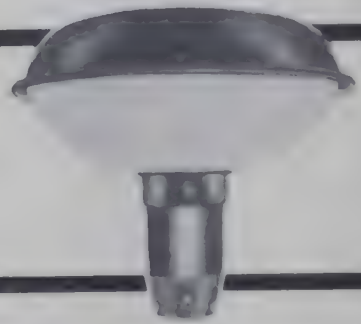
Chandralekha Maitra

bajaj



brings you a wide range of energy-saving Outdoor Luminaires.

BJPTI-80-125



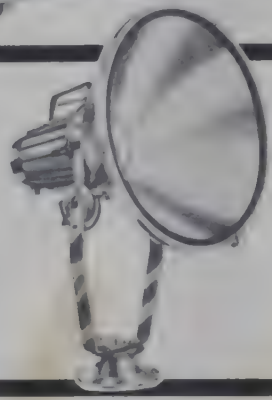
BJEF-1000 H





BJSL A-140

BJEF-21 (S)





BJMIP-250-400

Suitable for Fluorescent, HPMV, HPSV Lamps, Bajaj Streetlighting Luminaires are designed for the wide and uniform illuminance of roads and traffic junctions — and to withstand all extreme weather conditions.

The other outdoor luminaires include Post Top Lanterns for entrances, parks, campus lighting, HPMV/HPSV/Halogen Floodlights for general area lighting, marshalling yards, airport apron lighting, sports, monument landscaping, etc.

Bajaj offers a total integrated lighting service from the designing to the electrification and installation of lighting fittings on a turnkey basis for any indoor/outdoor location.

For details write to:

Lighting Project Services
Bajaj Electricals Limited
45-47 Veer Nariman Road, Bombay 400 023.

bajaj

The lighting people since 1938.

BusinessWorld
May 26—June 8, 1986

A prized palate

Shekhar Ranjan Dutt (41), needs no introduction in the somewhat esoteric community of professional tea tasters. Currently, Dutt is the vice president of the tea buying and export division of Lipton India Ltd. (sales: Rs. 251.05 crores in the year ended 30th June 1985), the well-known tea and consumer products company, which he joined in 1982. During the course of a career spanning two decades in the tea industry, Dutt has been in the unique position of personally experiencing and participating in the slow but extensive changes which this profession—hitherto bound by traditional norms—has experienced.

An alumnus of St. Paul's School, Darjeeling and St. Xavier's College, Calcutta,Dutt graduated in 1965 with an honours degree in political science and a widely held reputation as a talented all-rounder. In 1966,he joined Harrisons & Crosfield (India) Ltd., the blue chip company engaged in the export of tea from Calcutta and with plantation interests in south India.

Dutt became involved in tea tasting right from the start and was expected to learn from scratch the technicalities of the tea taster's trade. His inherent flair for this work led to the unusual situation of his being put in charge of tasting operations within a year of signing up with Harrisons & Crosfield. "Much of the satisfaction I have got out of the tea taster's job was due to the fact that I was given large responsibilities early in my career. Stagnating for years in a slow moving industry could have been soul destroying," says Dutt.

Changing scene. Even today, promotions in the tea taster's profession are notoriously slow even as the top jobs in the tea industry are passing into the hands of a young leadership. In fact, the recent trend to open up new avenues for the taster in general administration is seen as an attempt to introduce new challenges and greater satisfaction into a job in which there are few guarantees of rapid promotions in spite of seniority or length of service. "The scene is definitely changing. Previously tea tasters came from privileged backgrounds. Now companies are looking for academically bright, thinking young men. These recruits are then mixed in with technically sound tasters in order to provide a good balance. It has become important to possess good business sense apart from an aptitude for tasting," says Dutt.

Dutt has been a beneficiary of this change and feels that with the acquisition of an interest in the tea industry by companies such as Hindustan Lever Ltd., a much needed impetus has been given to the professionalisation of this industry. Comments Dutt, "In buying or selling tea one follows the same principles as in any other commodity.



Dutt: change beneficiary

The difference lies in that tea is a seasonal commodity with fluctuating quality. One of the major problems of this industry is that the data base is neither good nor up-to-date. Market sentiments and opinions also play a large part in determining policy. The research side is very advanced, but once tea comes to the marketplace, scientific marketing and sales promotion are necessary." There is, for instance, a lot more pressure to use computers as aids to decision-making and the major companies run regular computer courses for their personnel.

Competing aspects. There are many international markets, feels Dutt, where India cannot yet compete in aspects such as tea-bag or packaging technology. India's domestic consumption is mainly in the form of loose teas (74% of production), and the need for innovative and creative packaging has not yet been felt. While 31,000 tonnes of tea is sold to the UK annually, it is sold as loose tea in chests and not as packet teas. The traditional markets have their own 'packeteers' as they are known.

Likewise there has been little impetus for perfecting the tea bag technology in answer to competition in the West. However, with India's tea exports under threat for the first time, the bigger tea companies are making new efforts to market teas creatively and also to break into the large US market (77,000 tonnes annually) to which India supplies a paltry 2,500-3,000 tonnes.

Commenting on the qualities that make a good tea taster, Dutt says, "In addition to a sensitive palate, sound technical knowledge and a strong and imaginative business sense, the taster must also possess a sense of self-discipline. He often spends perhaps five hours a day tasting as many as 500 cups of tea. His work can easily be messed up through a lack of concentration or by simply allowing personal problems to intrude, affecting one's judgement or by tasting too much. A taster must know when to stop."

Dutt's work schedule begins at 8.30 am except on auction days when he gets to office much earlier. His day rarely finishes before 7 or 7.30 pm after dealing with administrative paper work, policy decisions and trade conferences. Dutt has served as chairman of the Calcutta Tea Traders' Association, as a member of government committees such as the panel of tea experts for north India, the Tea Auction and Rules Committee as well as the government of India's committee on bulk exports and strategy. "I don't get as much time to taste tea as I would like. Administration and decision-making take up the major part of my time. However, I make it a point to taste tea fairly regularly," says Dutt.

Busy schedule. A fair bit of travelling to buying units or for export purposes often takes him out of town. Dutt regrets that his busy schedule leaves little time for indulging his recreational hobbies and confesses to a love of theatre as well as sport. He manages to fit in occasional games of squash, soccer, tennis and cricket on the weekends when he is in town.

Two decades on the job has given Dutt a vast knowledge of the intricacies of the tea trade and he feels that he has been fortunate in the choice of his career. "It has given me a lot. I have seen the emergence of a new image for this traditional industry and new horizons opening up for the professional tea taster. It has been a satisfying job."

Chandralekha Maitra

Banks' priorities

ASHOK HINGORANI



Computers... can you bank on them? The answer must be a loud 'Yes,' and an equally loud 'No.' I'm not hair splitting, just accepting the fact that each industry has its unique requirements and computers have their limitations. Hence while there are areas where computers can greatly enhance operations, there are also others where they can cause more problems than they are worth.

The banking industry offers an opportunity to explore this proposition further. It is a sad fact of life that policy-making bodies in India jump on bandwagons without really seeing where they are going. Nor are these only my own, outspoken views, but also those of my colleagues on both sides of the banking and computers divide. Since nobody really asked the opinion of either side before decisions were taken, a little sniping is inevitable, and is justified by the fact that implementation along the lines planned goes against some very fundamental beliefs held on both sides

BASE RULES

As things stand, neither are the vendors happy about the systems they have been asked to deliver, nor are bankers happy about the uses to which they are being put. There are certain base rules for computerisation in any industry, and it would be best to list these and see how many of the desired goals are being met, or have even been perceived.

Compartmentalisation. If the universe of information required for a business can be visualised as a pyramid, the rule is to work on it top-down. To attack it at the base is to risk destabilising the entire structure, before any gains can be expected

Brain not brawn. Computers need to be utilised to analyse data and improve decision-making, not enhance data storage capacity to fight paper tigers. The lower layers are usually clerical, and work well. The problems are higher up, where managers must correlate diverse facts to arrive at a decision. Leave the front desk alone; it's the backroom closets that need attention.

Don't replace people, enhance their productivity. In banking, as in all other service industries, it has been found that customers prefer to deal with people, not with machines. Will the ledger posting terminal improve the politeness of tellers, and make managers more responsive? No, it makes matters worse as people now have to struggle to learn a new technology which at the same time, threatens to make their jobs redundant. India needs increased employment, not a confrontation with the unions who perceive a real danger to the working masses from computers if utilised for clerical functions.

Standardisation. Hardware and software should be standardised on currently stable technology with an eye to the future. Banking is second only to the airlines in respect of the degree of current computerisation, and established systems exist. Yet, our industry wants to reinvent the wheel, and even the whole engine, by using independent floppy-based PCs for front desk operations, with no provision for centralised control, communications or even automatic back-up in place.

Equally important is the need for minimisation of training needs and this is best ensured by careful selection and development of software. Programs need to withstand hardware changes and upgrades and allow individuals who are transferred from branch to branch, and from other banks, to continue working without extensive retraining. Yet no common language has been selected. Each bank seems bent on getting software from its own sources, designed to its own needs.

From feedback available today, only a few banks are following any plan for actual implementation. Most acquire computers to meet statutory requirements and to utilise funds allocated. The area receiving attention is clerical work like ledger posting or at best, inter-branch reconciliation. Barring clearances through the RBI computers, which are essential, no activity planned in any way enhances the ability of banks to provide a better service to customers.

BETTER UTILISATION

To suggest an alternative approach requires a look at the role banks are expected to play in today's environment. This is essentially to promote industry and thus national development through the mobilisation of savings to finance growth. We also need better utilisation of funds already available and the ability to accurately evaluate the financial position of a borrower. Above all, documentation procedures, bill processing and foreign trade requirements need streamlining, with emphasis on real time information systems.

'From feedback available today, only a few banks are following any plan for actual implementation. Most acquire computers to meet statutory requirements and to utilise funds allocated. The area receiving attention is clerical work like ledger posting or at best, inter-branch reconciliation. Barring clearances through the RBI computers, which are essential, no activity planned in any way enhances the ability of banks to provide a better service to customers'

The most significant area is of course, loan management because that is where the maximum efficiency can be achieved, and effects on development can be maximised. Another area is providing correct information to the investing or saving public, about schemes that can benefit them.

Loan management. Another reason that this area merits great attention is the fact that most of the delay and corruption associated with banking in India today revolves around the sanctioning of loans or credit facilities for everything from digging a well to launching a multicrore project. By standardising and automating procedures for the analysis of balance sheets, internal ratios, etc. which can only be done manually today by senior officers, such decisions can be made rapidly and on merit. Only exceptional cases would need personal review and discussion.

In a less negative vein, bankers are often required to advise a client on potential growth opportunities, new tax breaks and incentives available to them. This requires accurate projections of future balance sheets based on present data and expected trends. It often requires the exploration of alternative scenarios and immediate correlation with lending policies and limits. Most banks abroad routinely provide such facilities and Indian banks must devote a larger portion of their time to this activity. It is also ideally suitable for implementation on micro computers, yet only three banks I know have even begun thinking of such applications.

Nor is much imagination at play in other areas, especially in mobilisation of savings.

'In a less negative vein, bankers are often required to advise a client on potential growth opportunities, new tax breaks and incentives available to them. This requires accurate projections of future balance sheets based on present data and expected trends. It often requires the exploration of alternative scenarios and immediate correlation with lending policies and limits. Most banks abroad routinely provide such facilities'

Saving... if you knew how... and had the time. I think it's quite fair to say that the mass of people in India do not know how to save, or rather, where to save and under which scheme. Is it too far fetched to expect a bank to actually review a customer's account periodically and advice him how best to place his money? Every time a new scheme is announced, switching funds from other lower yielding schemes may be only marginally beneficial, too small for anything but a computer to spot and act upon. Yet, combined with prompt payment of due interest to the customer's account, and in view of the sheer number of accounts, this could generate huge savings and encourage savers to rely on banks, making the banks the true money managers of the Indian economy.

CYCLOSTYLED SHEET

International trade thrives on information. While few small banks can take up such responsibilities, all major banks overseas provide trading customers with information on world markets, commodity prices and share values, plus a channel of communication with the world banking system as a whole. The best we get here, even from our lead banks, is a cyclostyled sheet giving the current exchange rates every morning. Surely bankers should be the first to appreciate that information is money. It is also the perfect task for the type and size of micros now being introduced into banks.

Processing of international bills of exchanges and letters of credit and streamlining inward remittances must surely be another priority of the contemporary banking industry. Add to that the fact that most government incentives are today canalised through banks and you have bottlenecks that involve crores of rupees in unnecessary delays. Somebody is paying the interest, usually the customer, and certainly the country as a whole for every dollar outstanding or lost because an exporter did not receive timely support or information from his bank.

What I am trying to distinguish here are two classes of functions, and the type of computers necessary for each. Mini computers with massive data handling capacities and secure back-up systems are necessary for front end operations. These must however, be supported with other facilities, especially communications, to enable exchange, consolidation and back-up of data from multiple sites, and that seems a long way off as yet.

Micro computers on the other hand, are ideal for small decentralised operations requiring not much by way of actual storage of data,but a variety of functions from simple word processing for the handling of repetitive reports to spreadsheet analysis of customer accounts for loan processing and credit control.

Even the attitudes required for successful use are different for each type of system. The mini is best suited to the clerical environment while the versatile micro is ideal for management that needs tools to explore new possibilities.

One could go on and on about the mismatch between perceived goals and the means chosen to achieve them. The critical element I still feel is people, the ones who are expected to use this technology. We must assume that the managers are better geared by way of education and specialised postgraduate courses or training to best utilise computers.

DISTINCT ADVANTAGES

Focusing on management levels for the introduction of computerisation has a number of distinct advantages.

(a) It requires far lower expenditures on training and provides breathing space for banks to plan full fledged retraining courses for the larger mass of clerical staff. Since this is best done using a computer aided instruction system or software and as that takes at least three years to develop, we need phased introduction, not overnight conversion.

'International trade thrives on information. While few small banks can take up such responsibilities, all major banks overseas provide trading customers with information on world markets, commodity prices and share values, plus a channel of communication with the world banking system as a whole. The best we get here, even from our lead banks, is a cyclostyled sheet giving the current exchange rates every morning. Surely bankers should be the first to appreciate that information is money. It is also the perfect task for the type and size of micros now being introduced into banks'

(b) It provides a challenge and job satisfaction for the core management which has been terribly hamstrung by union attitudes these last few years. Far too many of our brilliant bankers are going the way of doctors and engineers—overseas.

(c) It makes the banking system more attuned to the needs of the 20th century (let alone the 21st). Something like an irrigation network that is also used for transportation. Along with free trade zones why can't we have an offshore banking facility, with satellite communications, and leased lines to local industry for international data exchange?

Otherwise, the broker pays better interest on *hundis*, knows his market well and usually has a cup of tea ready when you come calling with your savings.

MAHINDRA & MAHINDRA

Rough road ahead

By BINU S. THOMAS

The Bombay-based Mahindra & Mahindra Ltd. (M&M), which in 1984-85 manufactured more automotive four-wheelers than any other manufacturer in the country, is broad-basing its operations. After more than 40 years in the automotive business, M&M, the country's only manufacturer of jeeps and one of the largest manufacturers of tractors and light commercial vehicles (LCVs),is diversifying into unrelated businesses.

Since September 1985, M&M has concluded no less than three foreign collaborations in the field of telecommunications and oil exploration services. This spate of foreign collaborations reflects growing fears within Gateway Building—which houses M&M's corporate headquarters in Bombay—that the growth in the company's sales and profitability is likely to be adversely affected by the intensifying competition in the automotive industry.

Already,even as the sales of the company's tractors and LCVs have perceptibly slowed down, its monopolistic position in the jeep market is now being challenged by automotive industry heavyweights such as Maruti Udyog and Bajaj Tempo.

Is the diversification into unrelated businesses a master stroke or a strategy born out of desperation? Read on...



Keshub Mahindra outside Gateway Build

Few industries in the country are s patently in the throes of a tech nological metamorphosis as th four decade old automotive industry Buffeted by gale force winds of com petition, the hitherto somnolent bree of indigenous automotive manufactu ers are racing to upgrade their vehicl manufacturing technologies.

Yet for one manufacturer, the i winds of competition have blown a l of good. The Bombay-based autom tive four-wheeler manufacturing b hemoth, Mahindra & Mahindra Lt (M&M — sales: Rs.482.07 crores in t year ended 31st October 1985), has n only kept up with the indigeno Joneses in respect of technological u gradation, but has also drawn up ambitious plan to diversify its oper tions. In a span of four months the co pany has signed no less than three for ign collaboration agreements which the next few years will radically alter product mix and convert it into a broa



n eye on the technologies of the future

based engineering company.

The process of transforming the product mix — and the image — of the company began in late September last year when the M&M management signed a technical collaboration agreement with Forasol-Foramer, France to set up its oil exploration services division. Shortly thereafter, on 11th November, the company received the Union government's all-clear for its proposal to join hands with the Tokyo-headquartered Oki Electric Industry Ltd., to manufacture 50,000 lines per annum of EPABX (electronic private automatic branch exchange) equipment. And two months later, on 21st January 1986, M&M formally announced the signing of a memorandum of understanding with the UK-based British Telecommunications plc, this time for a foray into the relatively esoteric fields of information technology and telecommunications.

This flurry of activity has got the adrenalin flowing in Gateway Building, Bombay, the spacious, spit and polish headquarters of the company located within shouting distance of the imposing Gateway of India. These diversifications are of momentous significance for the 40-year-old company. For ever since it was promoted in 1945 as an automobile trading house, M&M — like most of its peers in the automotive industry — had assiduously stuck to its knitting. Indeed, M&M is the first automotive manufacturing company in the country to venture into unrelated areas of business — and relatively hi-tech ones at that.

"We are venturing into areas involving what are essentially technologies of the future and are hence going through a learning curve ourselves. For instance, who in this country knows anything about oil exploration other than the ONGC or OIL? Similarly in the case of telecommunications too, there is no experience in the private sector as this field was closed to private industry until recently. But I'm sure that in a short period M&M will be able to absorb these new technologies quite easily," says Keshub Mahindra (62), the suave Wharton Business School (USA) educated chairman of the company.

Nor is Mahindra's confidence in M&M's ability to absorb and master these complex technologies mere bravado either. Over the last four decades the company has developed its in-house skills to the extent that it is ranked among the finest engineering companies in the country. And its highly rated engineering base will no doubt provide a strong foundation on which it can build its new oil exploration and telecommunications businesses.

The solidity of M&M's automotive engineering foundation can be gauged from the size and nature of the company's operations. In the year ended 31st October 1985, M&M manufactured 21,755 jeeps (72 per day) 11,701 light commercial vehicles (LCVs) and 15,651 tractors — more vehicles in the aggregate than any other automotive four-wheeler manufacturer in the country. Besides, at its manufacturing plants located at Kandivli and Ghatkopar in Bombay and at Nasik, Igatpuri and Nagpur — encompassing a massive built-up area of 2.4 million sq ft — M&M also manufactures a host of other products ranging from petrol and diesel engines, clutch assemblies and propeller shafts for its automobiles to agricultural implements and industrial process control instruments.

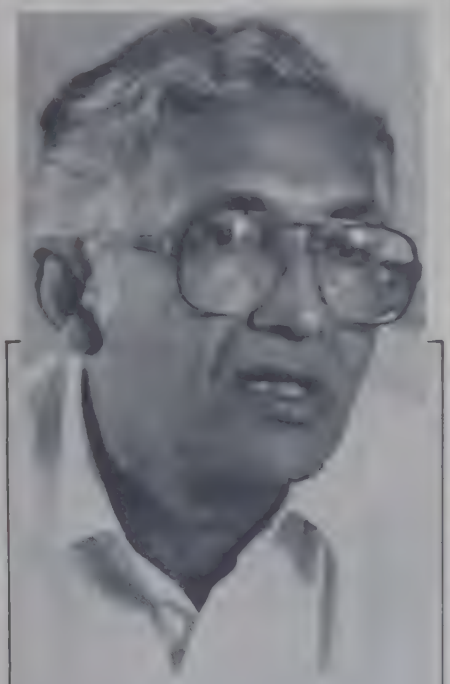
CHANGED SITUATION

However, despite having broad-based the engineering skills of its 13,707 workers, M&M has canalised its energies and expertise into the automotive four-wheeler manufacturing business. As a consequence, 80% of its gross annual income is currently derived from the sales of its jeeps, tractors and LCVs. And although the proclivity to stick to the knitting is one of the characteristics of America's most excellent companies (as emphasised in *In Search of Excellence),* in the Indian context, the M&M management's policy of not diversifying out of the automotive industry has not proved to be an unmitigated blessing for the company. Because, in a suddenly changed situation, the intensity of competition within the automotive four-wheeler industry is already beginning to tell on the growth of M&M's sales.

The rate of growth of its vehicle (jeeps, LCVs and tractors) sales, which increased from 17,306 in 1977-78 to 29,226 in 1979-80 and further to 44,708 in 1982-83, has since slowed down quite considerably.

In fact, in 1984-85 the company's sales of 48,437 vehicles represented an increase of a mere 76 vehicles over the previous year's performance. Moreover, the company's finished goods inventory (for the domestic market) increased from 1,909 vehicles in 1983-84 to 3,533 vehicles in 1984-85.

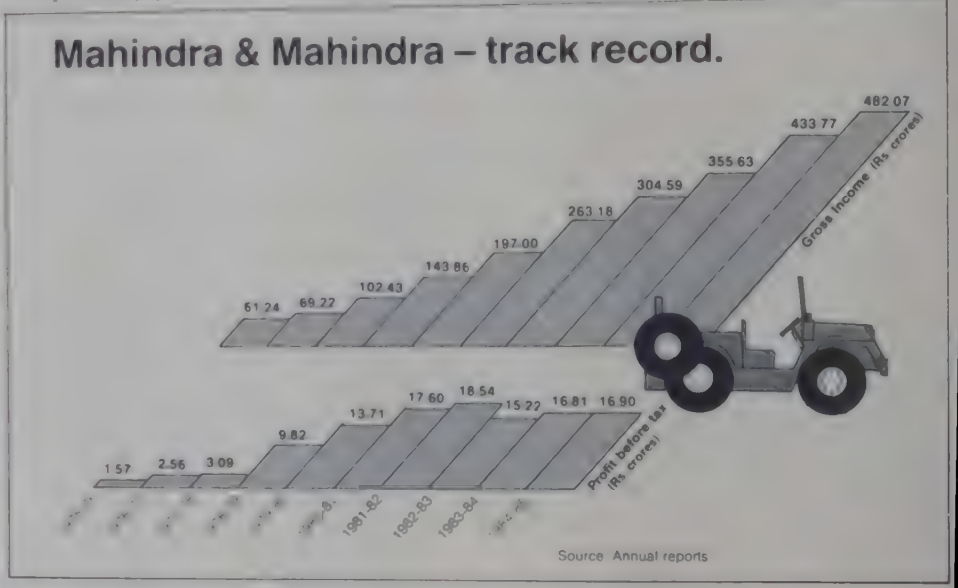
However, to be fair to the M&M management, it has tried to give its competitors a run for their money. Over the last four years, it has spent nearly Rs.100 crores on the expansion and modernisation of its operations. Among the more significant of M&M's competition-beating measures are the manufacture, from mid-1983, of the highly rated Peugeot XDP 4.90 diesel engine for use in its jeeps and the launch in May last year of the new-look MM 540 jeep. Moreover, the company has also drawn up plans to manufacture the Peugeot J-9 series of LCVs and — if it gets the government approval — the Peugeot 505 motor car which will incorporate a fuel-efficient diesel engine.



"This is a challenging and potentially very difficult time for the company"
B.R. SULE

Yet few managers within Gateway Building entertain any illusions that the company can maintain a steady growth in income and profitability without diversifying its activities pronto. Already in the case of both LCVs and tractors, the sales of which together contribute 54% of the company's automotive sales turnover, the market has become extremely competitive. This is borne out by reports from within the LCV industry that several new manufacturers such as Allwyn Nissan, DCM-Toyota, etc., are utilising less than 20% of their licensed capacities due to demand slackness.

Similarly, the demand for tractors too is not growing and given the dog-eat-dog situation, M&M actually suffered a 5.3% drop in tractor sales (in unit terms) during 1984-85 from the previous year. And as if all this were not bad enough, new competitors are now threatening to storm M&M's traditional bastion — the jeep market. With the arrival of the Maruti Gypsy and the likely entry of Bajaj Tempo — which already has a tough jeep prototype under test — M&M's monopoly of this market segment is fast drawing to a close.



STRONG COMPETITION

"This is a challenging and potentially very difficult time for the company. In both the LCV and tractor markets, there is strong competition which is likely to intensify as new entrants enter the industry. In the market for jeeps too the competition will intensify, although it will not be quite as severe as in the LCV and tractor markets," says B.R. Sule (61), a graduate in mechanical engineering from MIT and a postgraduate in industrial engineering from Purdue University in the US, who is the managing director and chief executive of the company.

But comfortingly for its shareholders, negotiating its way through a difficult market is not an alien exercise for the company's managers. Exactly a decade ago, M&M had been driven to the brink of closure by a sudden drop in the demand for its jeeps and LCVs.

The oil shocks of the early seventies pushed up fuel prices so steeply that the unit sales of its petrol-guzzling vehicles dropped precipitously from 12,028 in 1973-74 to 8,109 in 1975-76. The impact of this was felt most in the Bombay stock exchange where the company's equity share (Rs.10 paid-up) — which is currently (7th May) quoted at Rs.59 — was going abegging at Rs.6.75 in 1975. But amazingly, and much to the joy, no doubt, of M&M's 25,500 shareholders, the company paid equity dividends of 10% and 12.5% for 1974-75 and 1975-76 respectively — the two most difficult years in its history.

"The oil price hike hit us so suddenly that our production dropped by some 40% in just six months. And we had so many workers idle that we could develop the beautiful gardens you see at our plants. In fact, we have been sweeping the prizes at the flower shows ever since," quips Mahindra. But this aside notwithstanding, it is noteworthy that as in the case of its shareholders, M&M fully protected the jobs of its workers at a time when its own survival was very much in jeopardy.

Such consideration at a time of extreme crisis no doubt earned the company considerable goodwill, both of its shareholders and employees. However, what undoubtedly gladdened their hearts even more was the company's quick response to the crisis that had knocked M&M to its knees. "We knew that importing a new diesel engine for our jeep would take at least three to four years, by which time we would

have probably been out of business. Hence we reworked a tractor engine and adapted it for fitment in our jeeps in a record time of just six months," recalls Sule.

GREATEST TRIUMPH

The heroes of the mid-seventies who rescued the company even as the engine of disaster was bearing down on it were a handful of engineers in M&M's R&D division, who worked virtually round the clock to achieve the impossible. "The dieselisation of our jeep engine is our greatest triumph and one which we are all very proud of. At that time, people thought it was both impossible and ridiculous to mount a tractor engine on to a jeep and hence there were psychological barriers which had to be overcome first. Essentially, we accomplished the task by revving up the tractor engine from 2,100 rpm to 2,300 rpm, refining the fuel injection equipment and reducing the noise and vibration levels," recalls K.S. Parthasarathy (51), a mechanical engineering graduate of Bangalore University and deputy general manager (R&D) of the company.

Today, M&M's R&D division, which occupies 24,000 sq ft of built-up laboratory space at Nasik and employs 60 people including 22 engineers, is a beehive of activity. Among its other noteworthy achievements is the upgradation of the LCV payload capacity from 1 tonne to 2.2 tonnes; the design of the MM 540 jeep; and the conversion of the three-speed gear box of the jeep into a four-speed one. "We have also done quite a lot of work on chassis design, gear and axle ratios, and on engine modifications, which are not always visible to the public eye," says Parthasarathy modestly.

Parthasarathy: dieselisation triumph



Besides, a significant portion of the Rs.2.30 crores invested in M&M's R&D facility comprises equipment for testing the quality and performance of components and of the vehicles themselves. Equipment such as a computer controlled dynamometer, a dust chamber and a driving rain chamber test and monitor the performance of various components under extreme operating conditions. Similarly, a 1 km long torture test track is used to test the road-worthiness of the company's vehicles at regular intervals.

Such commitment to the quality of the final product has won for the Mahindra vehicles, and particularly for the company's jeeps, an enviable reputation not only in India but abroad as well. During the last decade, M&M has exported over 25,000 jeeps to some of the most quality conscious markets in Europe, West Asia and Australia. And now the company is planning a major export drive with the avowed objective to "put a Mahindra jeep on every road in the world."

"Developing export markets will increasingly form an important part of the company's activities. To this end we have already initiated several measures which we anticipate will ensure a quantum jump in our export earnings," says K.K. Basrur (53), whose official designation as executive assistant to the managing director is quite at variance with his role as chief of exports and corporate planning.

DIFFICULT BREAK

According to Basrur, M&M currently exports its jeeps to Norway, Sweden, Denmark, West Germany, Italy, Lebanon, Switzerland, Australia, Thailand and Iran. "We prefer to export our jeeps to the developed countries despite it being more difficult to break into these markets than those of the developing nations. This is because in the case of the latter, as is happening here in India, governments insist that we progressively use an escalating percentage of locally manufactured components. Consequently, the value of the exports are reduced over a period of time and it just isn't good economics when one considers that it takes heavy marketing outlays and many years to develop overseas markets," says Basrur, who expects M&M to earn a large — in the Indian context — export revenue



Basrur: exports thrust

of Rs.30 crores in the company's year ending 31st October 1986.

The backbone of M&M's export drive thus far has been its jeep sales to Iran. The company has already shipped over 17,000 jeeps to the Pars Khodro Co., Teheran and has a pending order from them for an additional 8,000 jeeps valued at Rs.34 crores. Besides, the company also exported 355 tractors in 1984-85; 94% of these to Zimbabwe.

Latterly as a part of its efforts to boost its sales overseas, M&M has promoted a subsidiary in Greece, Mahindra Hellenic Auto Industries SA, which will initially assemble 1,000 jeeps per annum from the current year onwards for sale in the EEC countries. Meanwhile, the company has also strengthened its overseas distribution network with the appointment of 10 new distributors in the past 12 months. "As per our plans, the Mahindra jeep should be available in 400 retail outlets in Europe and Australia within the next two years," says Basrur.

These ambitious plans to boost the sales of its vehicles — particularly its jeeps — abroad appear incredible when one considers that the basic design of the Mahindra jeep is of Second World War vintage. Moreover, both the Japanese and the British today produce four-wheel drive vehicles which are streets ahead of the Mahindra jeep in terms of technological innovation and styling.

Yet paradoxically, the relative technological unsophistication of M&M's jeeps has proved to be a blessing in disguise. "Four-wheel drive vehicles the world over have gone upmarket and no company in the world with the exception of M&M manufactures a basic, simple model of the jeep. Today, there is a

PHILIPS

As a pioneer of electronics in India, Philips maintains the initiative: searching for new ways to bring the benefits of modern electronics to improve the quality of life.

Applying modern technologies, Philips India has introduced more firsts than any other company in the business: developed and manufactured specifically for Indian conditions.

In the years ahead, the Company stands fully geared to innovate and open new avenues in home entertainment and professional electronics.



Over 55 years of experience in India, true

But what's so unique about Philips India?

Firm roots and commitments in India

It was back in 1930 that a small beginning was made in Calcutta. This became the seed of what was to be later known as Philips India.

Over the years, the Company, as part of its corporate policy identified itself with national needs and aspirations and established strong roots in the country.

A responsible corporate citizen, Philips India has always kept the Indian interest at heart. Be it in the range of the Company's products that are in keeping with the needs of the nation, or in the pollution control and safety aspects of its factories. You can also see this consciousness in the Company's export programme and striving for self-sufficiency.

Today, the commitments of the Company are wide-ranging: in terms of its investments in people, technologies, plant and machinery, tool rooms and R&D.

But most important of all is the commitment of Philips India to its customers.

Total integration

From identifying the needs of the Indian household to developing, designing, engineering and bringing home a wide range of products, Philips India involves itself every step of the way. It has been a consistent policy at Philips to build an integrated infrastructure and manufacture everything from components to finished goods.

This policy has led to the establishment of a number of modern factories in different parts of the country, supported by extensive R&D facilities, in which an investment of over Rs. 55 million has been made—the biggest investment in the private sector in the areas of lighting and electronics research and development.

Highly qualified trained technologists research relentlessly with the latest instrumentation facilities. Skilled industrial designers continuously evolve new stylings that reflect the latest in function and design.

In fact, Philips India has introduced more firsts than any other company in the industry.

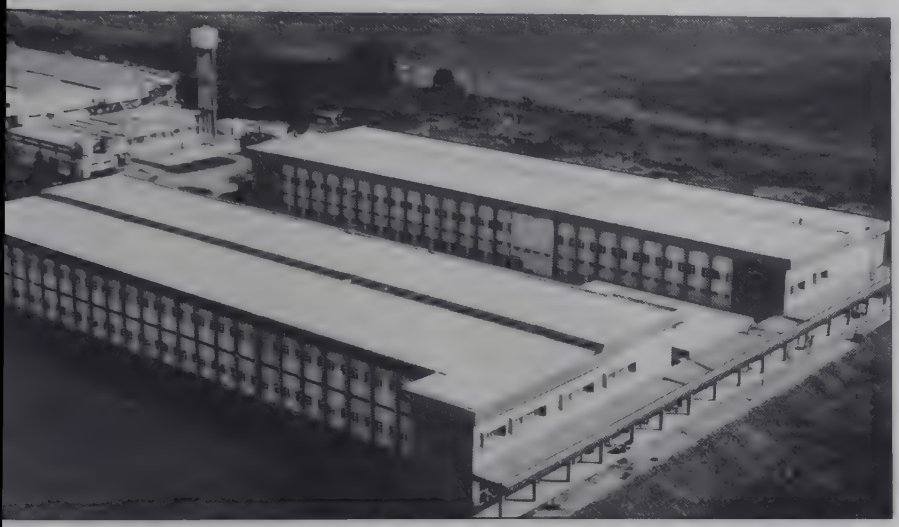
Building quality and reliability into every Philips product while keeping prices competitive are the many manufacturing complexes of Philips.

In design, layout, machinery and production methods, these factories rank amongst the most modern production centres in India.

Ever since the very first radio factory began its operations in 1948, Philips has been employing high levels of technology and constantly updating methods and processes.

An army of plant personnel – over 4700 people, the largest for any electronics company in the private sector – work day and night with computer-aided technologies in factories that together span more than 90,000 sq. metres of covered area.

PHILIPS



Professional Electronic Equipment Factory, Pimpri, Pune.

Today, the commitments of the Company are wide-ranging: in terms of its investments in people, technologies, plant and machinery, tool rooms and R&D.

In the area of components, the Company is achieving a high degree of self-reliance by producing materials like ceramics and foils.

Of tool rooms that leave no room for error

The tool room is the prime requisite for the manufacture of high precision components and equipment.

For precision engineering in electronics, Philips has established one of the most sophisticated tool room facilities in India, covering over 4,000 sq. metres of space.

Partners in Progress

As part of its corporate philosophy, the Company has developed a number of ancillaries. As many as 1,000 ancillary units, together, supply components, pieceparts and sub-assemblies amounting to about one third in value of the total production of the Company. A team of specially trained company engineers regularly monitor the performance and make sure that Philips design, requirements, specifications and quality standards are adhered to by them. Through continued technical and management support, the total competence of these suppliers improves over the years. This has been the guiding principle behind the Company's policy of establishing a partnership with its suppliers and ancillaries all over the country, based on mutual trust and respect.

Ticking with the times

Keeping abreast with the latest technology, to maintain international standards, also requires trained personnel with up-to-date skills.

At Philips, training is to skill formation what the R&D is to product development. In fact skill formation goes beyond the training of its own personnel and extends to cover suppliers, dealers and small scale units as well.

Reaching out to you

Bringing Philips' products and services closer to you is the nation-wide network of Philips dealers and service personnel with a ready stock of over 7,500 and more types of spares. Because Philips India believes that its products and services should be readily available to all.

Most of the Company's dealers around the country are also authorised to service equipment. Six Philips service centres, a staff of 180 trained engineers and a large network of dealer-technicians trained by Philips India are equipped with extensive documentation and stock of spares.

The Company provides its dealer-technicians detailed training on all aspects of customer service. For example: in the last few years over 1,500 dealers have been trained by Philips India.

From design to service, only Philips gives you reliability

The Company's concern for customers extends from basic design, manufacture and quality control to service and availability of spares.

Yes, from design to service, only Philips India gives you reliability.

That is why Philips India, in over 55 years, has become a respected household name.

Trusted by people like you.

Tomorrow, the same pioneering spirit that has guided the Company in the past will steer it to innovate and set new records. Continuing a 55 year old commitment to the Indian household.

When it's Philips, you're sure

OBM/7610

growing market for a rugged, simple and uncomplicated four-wheel drive vehicle and the Mahindra jeep fits the bill admirably," says John Hughes (50), director of Mahindra Sales Australia Ltd., who was in Bombay recently. Hughes, who has over 30 years' experience in the automotive retailing business, is one of the largest distributors of imported vehicles in Australia and is *inter alia* a distributor for the very upmarket Rolls Royce luxury motor car.

MORE RUGGED

On Hughes' prompting, the M&M management is currently in the process of effecting minor modifications of its jeeps, such as strengthening the seat belt anchorage to meet the specifications of the Australian road transport authorities. Consequently Hughes is confident that he will be able to sell over 2,500 M&M jeeps in Australia annually. "When compared to competitors like Suzuki or Daihatsu, the Mahindra jeep is far more rugged and far less complicated to operate and maintain," he says. Indeed, so enamoured are the Australians of the M&M jeep that a top rally team from down under has volunteered to drive the vehicle in the Paris-Dakar motor rally — widely acknowledged to be the toughest motoring event in the world — in early 1987. The only catch: how to raise the $300,000 necessary to meet the expenses?

Meanwhile, winning motor rallies has long become *déja vu* for Mahindra jeeps. In early 1985, an M&M jeep driven by its Swedish distributor won the second place in the North German Rally, edging out half a dozen American Cherokees and British Landrovers — both four-wheel drive vehicles — in the process. Back home too, the jeep has been a favourite with motor rallyists and its string of victories include a hat-trick of firsts in the 3,200 km Himalayan Rallies (1980, 1981 and 1982) in the Indian vehicles' class.

These victories bear testimony to the high degree of production management skills that the company has acquired over the last four decades. At its sprawling jeep, LCV and tractor assembly plants at Kandivli and Nasik, the assembly lines are not automated. Yet there is an overriding accent on quality and reliability as is evident from the fact that about 50% of the components (in value terms) that are fitted into its rugged jeeps are manufactured in-house. "Even though we have over 1,400 vendors who supply a variety of components, most of the critical components are manufactured by us. This helps to ensure the quality of these items right from the raw materials stage," says Baptist de Souza (56), an electrical and mechanical engineering graduate of Bombay University, who is the executive vice president (manufacturing) of the company.

Aware that it has a reputation to lose, the company not only manufactures its own engines, chasses, gears, axles and other such performance-related items in-house, but also subjects other components purchased from vendors to rigorous scrutiny. In Kandivli alone, over 10% of the 9,500-strong workforce is employed in the quality control department which boasts of component quality testing equipment valued at over Rs.2 crores.

Moreover, at M&M, quality control is a subject which engages the attention of the company's top brass as well. "Sometimes, I just walk into the plant unannounced and take a jeep as it comes off the assembly line. I then take it home and test it out," says Mahindra casually. According to sources within M&M, the "test" usually involves a drive up to Lonavla over the weekend where Mahindra owns a modest cottage and on his return, the jeep is sent back to the factory along with a detailed report on its performance and shortcomings.

This strong accent on quality is, significantly enough, matched by the product range options which are offered to the company's diverse clientele. Apart from its basic models of jeeps, LCVs and tractors, M&M also manufactures a number of variations of these. Thus the company's jeep division, for instance, offers more than a dozen models with differing body configurations, wheel bases, engine options, etc. The proven quality, market acceptance and the wide range of its jeeps make company managers confident that they can take on and best the imminent competition in this market segment.

Meanwhile, the company's plans to manufacture a new LCV — the Peugeot J-9 — seems to have run into a brick wall in New Delhi. "We were planning to use Peugeot's indirect fuel injection engine in our new LCV as such an engine offers less vibration and noise than a direct combustion engine. But the present government policy favours the use of only direct combustion engines which are marginally more fuel efficient than indirect combustion engines. Consequently the new fuel efficiency norms prescribed by the government cannot be fully met by an indirect fuel injection engine fitted on our proposed LCV and hence we are still negotiating with the government on this point," says de Souza.

"Today there is a growing market for a rugged, simple and uncomplicated four-wheel drive vehicle and the Mahindra jeep fits the bill admirably" – John Hughes, director, Mahindra Sales Australia Ltd.

Be that as it may, the plethora of existing models and product variations

A jeep being assembled at Kandivli. Inset: de Souza



BusinessWorld
May 26 — June 8 1986

has created its own peculiar difficulties for the company's marketing division as well. Comments George Jacob (54), an engineering graduate of Travancore (now Trivandrum) University, who is the incumbent executive vice president (marketing) of M&M: "While we are happy that we are able to offer our customers a wide choice of vehicles to meet their particular needs, it is a fact that sales forecasting becomes difficult. And overall, given our broad product range, marketing is a complex task."

Yet over the last decade, M&M's marketing personnel have acquitted themselves fairly well. While in the case of jeeps the company, by virtue of it being the only manufacturer in the country, has enjoyed a monopoly advantage the same is not true of its LCVs and tractors. "We have had to face intense competition in both the LCV and tractor markets and it is a matter of satisfaction that we have successfully done so. Today, we have the largest share of the tractor market and the second largest share of the LCV market," says Jacob.

PREFERENCE SHIFT

Indeed, in the marketing of both its LCVs and tractors, M&M has on several occasions been badly hit by the competition, only to emerge stronger than before. Thus when the oil price hike in the mid-seventies sent petrol prices skyrocketing, customer preference shifted in favour of Bajaj Tempo's LCV which was fitted with a diesel engine. Consequently, M&M's market share of its then petrol-powered LCVs crashed from 18% in 1975 to 11% in 1976. However, with the fitment of a new diesel engine and the tightening of its distribution network, the company's share of the LCV market has perked up again and is currently estimated at 24%.

Similarly, again in the mid-seventies, soon after the merger of the sickness-ridden International Tractor Co. of India Ltd. with M&M, the company was confronted with the task of reviving the demand for its International brand of tractors. Just how sharply the demand for these tractors had declined is evident from the drop in International's market share from 48% in 1972 to 13% in 1978.

"The basic problem was one of distribution. The farmers who wanted our tractors were not getting them and hence we had to expand our dealer network. But here again the problem was to find good, committed dealers which we finally did with some difficulty," recalls Jacob. And the success of the company's efforts in the tractors' market is evidenced by the increase in its market share to 20% currently. This is no mean achievement considering that there are as many as eight manufacturers battling for supremacy in the 75,000 vehicles per annum national tractors' market — probably the most competitive segment of the automotive market in the country.

Yet if, over the years, M&M's marketing men have honed their crisis management skills, they will now need to employ them with greater expertise than in the past. Earlier, crisis loomed either in the LCV or in the tractor markets, but currently there is a deepening recession in both these markets simultaneously. The entry of several new companies into the LCV market has upset the demand-supply equilibrium and several manufacturers have been compelled to cut back on production. At M&M itself, the increasing pressure on its LCV sales is already becoming apparent. As against 3,953 LCVs sold by the company between November 1984-March 1985, it has sold only 3,844 LCVs during the corresponding period of the current financial year (1985-86).

DEMAND RECESSION

The tractors division too is confronted with the problem of a demand recession. Severe drought in several states and the political turmoil in Punjab has adversely affected the company's sales. Against the 5,749 tractors sold in the domestic market between November 1984-March 1985, the figure for the corresponding period in 1985-86 is only 4,654 — a fall of 19%. And although Jacob is hopeful that tractor sales will look up in the months ahead, it is really the monsoons which will determine the direction of the division's sales graph.

'The tractors division too is confronted with the problem of a demand recession. Severe drought in several states and the political turmoil in Punjab has adversely affected the company's sales'

Meanwhile, the company has been more than conservative in budgeting its tractor sales for 1985-86: 14,000 units *cf.* 14,600 units sold in 1984-85. At the moment the only consolation for M&M's marketing team is the 7% growth in jeep sales achieved in the first five months of the current financial year as compared to the same period last year. And this, in part at least, is due to the new MM 540 model launched in May 1985 which has attracted orders for about 10,000 vehicles.

This rather dismal outlook on the marketing front also does not augur well for the much awaited recovery in the company's financial fortunes which have been declining over the past few years. "Most of the important financial ratios have been deteriorating since 1982. But the situation was worse in the year ended 31st October 1985 as the increase in sales turnover was only about 11%, while all expenses went up rather

Jacob: "we have had to face intense competition..."



"...We will continue to seek major diversifications"



Keshub Mahindra (62), chairman of Mahindra & Mahindra (M&M) is hardly the archetypal corporate heavyweight of Indian industry. Though nominally the non-executive chairman of M&M, he puts in a full day's work in Gateway Building, Bombay — the headquarters of the company. A man of many facets, Mahindra is well acquainted with western classical literature while at the same time he likes listening to the ghazal *kings Ghulam Ali and Anup Jalota. And when the mood gets him, he goes camera-happy, snapping for posterity the antics of his grandchildren.*

Yet, Mahindra is a serious businessman who heads the 14th largest business house in the country, which in 1984 had assets valued at Rs.407 crores. Besides, he is also the non-executive chairman of Union Carbide India Ltd. and Remington Rand of India Ltd. and until recently, chairman of the Calcutta-based Indian Aluminium Co. Ltd. Last fortnight, Mahindra spoke to Binu S. Thomas in his spacious office adorned with period furniture. Excerpts from the interview:

■ M&M has recently completed 40 years of its existence, during which period it has emerged as a showpiece of the Indian automotive industry. How satisfied are you with M&M's growth during the last four decades?

I'm fairly happy with the growth of the company. But as far as satisfaction is concerned, I cannot say that I am completely satisfied as one is always seeking to improve and grow.

■ Despite a steady increase in sales over the past five years, the growth in M&M's profits has not kept pace. In fact, profit before tax has actually declined from Rs.17.60 crores in 1980-81 to Rs.16.90 crores in 1984-85, even while sales have risen from Rs.263.18 crores to Rs.482.07 crores during this period. To what major factors do you attribute this erosion in the company's profitability?

First of all, I don't think it is quite correct to take only the profit before tax in determining profitability. What one has also to really look at is the operating profit. The operating profit is another accurate index of what is happening in a company and in our case there has been an upward trend in our operating profits.

As regards the decline in the profit before tax, there are two factors which are responsible. First, the increase in interest costs which is due to the expansion and modernisation programmes undertaken during the last five years. Second, the depreciation charge has also moved up due to the considerable additions made to the gross block of the company, as also changes in the rates of depreciation.

Thus it is not quite correct to say that there has been an erosion in the company's profitability. However, our profits have been under pressure due to many factors beyond our control, such as two hikes in steel prices in one year and steep increases in power rates.

Labour costs too have been rising rapidly due to the high dearness allowance content. The only way to combat this is by increasing production and obtaining higher productivity. We hope to achieve this through the additions made to our assets.

■ Somewhat belatedly, at a time when its automotive sales have slowed considerably, M&M has chalked out ambitious plans to diversify into the oil exploration services and EPABX equipment manufacturing fields. Considering the time lag between project identification and the commencement of commercial operations, why wasn't the decision to diversify taken earlier?

I don't agree that the decision to diversify was belated. One has to consider several factors before taking such a decision and one of the most important of these is whether one's current operations are at an optimal level. We felt that we had to first expand and modernise our existing operations before we undertook a major diversification. This we have done by investing nearly Rs.100 crores in the past four years.

Moreover, being an MRTP house, not very many areas were open to us until quite recently. It was only when new policies were announced by the government about a year and a half ago that new vistas became open to us. And I don't think we've done too badly in identifying our areas of diversification in this short span of time.

■ Given the intensifying competition in both your immediate proposed fields of diversification, i.e. oil exploration services and EPABX equipment, how confident are you of making a success of these ventures?

Well, first of all if we were not confident we would not have entered these fields. Having said this, I must add that competition is good for all as it brings out the best in people. And although it is true that we have not faced much competition in our jeep-type vehicles, it is often forgotten that we have successfully faced intense competition in the marketing of our tractors and LCVs. It is a measure of our success that today we have the largest share in tractors of our horsepower range.

But like most private sector companies which are endeavouring to enter the oil exploration field and the telecommunications business recently, we are also going through our own learning curve. Hence we will tread gently until we find our feet. Provided government policy stays the way it is, we will continue to seek major diversifications. To this end we are currently looking at chemicals and other areas.

■ M&M has drawn up plans to enter the car manufacturing industry. At a time when overcapacity is patently evident in the automotive sector as a whole, what is the rationale in entering the car manufacturing business?

There are two or there reasons for entering the car manufacturing business. First, the manufacture of the Peugeot 505 which we plan to produce, can be undertaken with a minimum of investment because of our existing facilities. We plan to upgrade our existing Peugeot XDP 4.90 diesel engine to suit

this car. Second, we will be able to get the basic dies and tools to manufacture the car at a very reasonable cost from our French collaborators. And finally, we feel that a diesel car will help to further broadbase our automotive products range and enable the company to meet the shifting pattern of demand in the market.

■ **The Union government is currently reconsidering the approval of proposed foreign collaborations in the automotive industry, reportedly because of overcapacity and the large foreign exchange outlays involved. How justified do you think are the government's fears?**

To answer this question it is necessary to go back a bit. Last year, the government came up with a policy of broadbanding with regard to the automotive industry. It was an excellent idea as it gave the automotive manufacturer a degree of freedom with regard to production patterns.

However, the government did not quite follow its policy through clearly by enunciating the terms of foreign collaborations and outgoings of foreign exchange. This the government ought to have done. So far as I read the situation today, I think government will come back with a policy which lays down the rules with regard to foreign collaborations. I think there is nothing wrong with this, as foreign exchange resources need to be used carefully and the efforts in the automobile sector have to be to indigenise production as quickly as possible.

But if the government now backtracks on its policy of broadbanding, this will be a retrograde step as it would mean that we are back to square one.

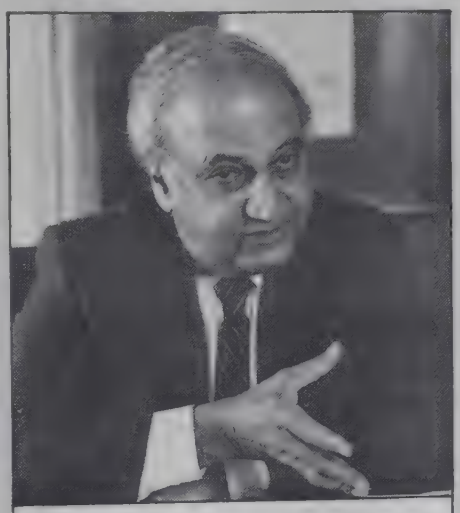
■ **What in your opinion are the strengths and weaknesses of the company?**

I strongly believe that it is people who make a company and I think our people is our greatest strength. We have a very informal method of management, although let me assure you that within this informal atmosphere there is a high degree of discipline. We have a very fine relationship with our labour and as regards promotion, we encourage them from within. Our record in this respect is outstanding and we rarely hire people from outside. We have a very strong engineering, financial and marketing base.

We also have our weaknesses. When a company does well, sometimes a degree of complacency sets in. Besides, as the company gets larger it becomes difficult to keep in touch with one's people, which perhaps represents a weakness in communication. Another area of our weakness is formalised manpower planning. But having recognised this, we have broken with tradition and hired somebody from outside to take charge of this function. Overall I feel that our strengths greatly outweigh our weaknesses.

■ **In the larger context, the euphoria generated in industry by the liberal economic policies of the Union government during 1985 seems to have waned. What is your reading of the future of the Indian economy?**

I don't think the euphoria has waned. To me, the most significant feature of the government's pronouncements has been the changes they reflect in attitudes. Our young prime minister is out to create a modern industrial society and he must be given time. It is unfair to expect results from a new policy in one year when the earlier policy has remained in place for over 30 years.



"If we are to succeed, we need to create a work ethos, a work culture which is virtually non-existent in our habits today"

There are bound to be practical difficulties in implementing new policies and resolving conflicting issues is not going to be easy. For instance, if you want competition then you must accept the thesis that if some plants are old or if there is a market shift, then some companies cannot continue to exist.

But to the best of my knowledge no bankruptcies take place in India due to one prime concern — employment. We talk about updating technology, making our industries competitive in world markets, increasing our share of the world trade. All these are essentials that we must bring about in our economic structures but then we will also have to follow modern practices which bring about such changes. However I do sympathise with the government which is facing a massive unemployment problem and is caught in a somewhat Hobson's choice. But give it time, we have an abundance of patience, we will work it out.

With the changes in economic attitudes and for the first time a long-term fiscal policy and with the government moving towards a more sober and creative taxation policy, I think that the future holds great promise for our country. I subscribe to the theory that the greatest wealth a nation possesses is the enterprise of its people. How well it has worked in the field of agriculture where the government provided support programmes by way of better seeds, water, fertilisers, support prices for the produce, and then left it to the enterprise of our people! The consequence of such a policy is that where we were importing foodgrains in the early seventies, today we are not only self-sufficient, but in a position to export certain foodgrains. Why cannot this also be done in industry?

To be utterly frank, I never thought that I would see such quick and rapid changes in my lifetime and although the programme of economic reforms was initiated in the early eighties, the present government is to be credited with accelerating this change. But like most things in life, one must learn to handle change intelligently and while we must move towards a market force economy, this cannot be brought about overnight for it would have disastrous results.

If we are to succeed, we need to create a work ethos, a work culture which is virtually non-existent in our habits today. All of us involved in economic activities must pledge to bring about greater production and increase productivity if we are to walk out of the trap that we have built ourselves, of a high cost economy. These are not easy things to achieve but given a commitment and a will to do so, I do not see why the obstacles, whatever they may be, cannot be surmounted.

ATTENTION

INVESTORS, CONSULTANTS, MANUFACTURERS AND EXPORTERS.

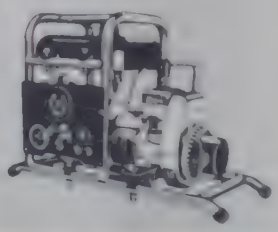
POWER YOUR BUSINESS WITH RALLI ENGINES

RALLIS brings you two light-weight, low cost, fuel efficient petrol/kerosene engines with the widest range of applications.

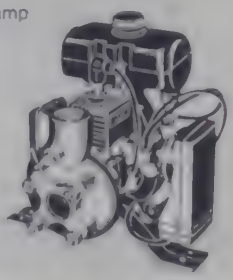
Moped



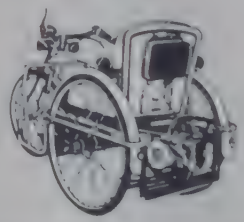
Generating Set



Pump



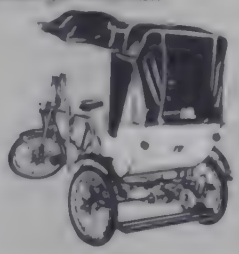
Invalid tricycle



Load carrier



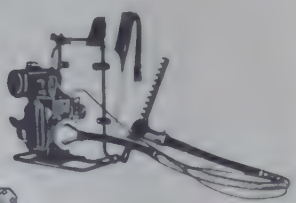
Passenger Rickshaw



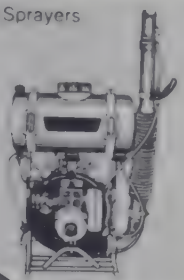
Motorised Bicycle

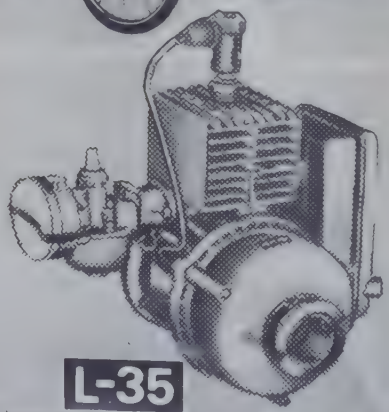


Hedge trimmers

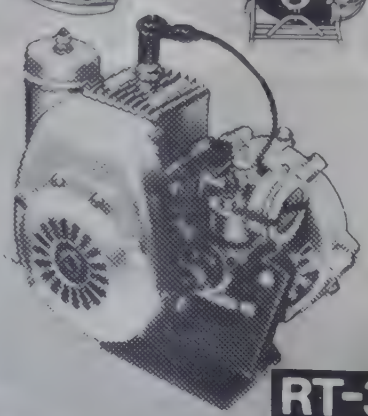


Power Sprayers





L-35



RT-35

Ralli Engine Model L-35

Specifications:

Max. H.P.	1.7 at 6000 rpm
Max. Torque	0.22 M.kg at 4500 rpm
Speed Range	3000-6000 rpm
Weight	4.4 kg

Applications:
Power Sprayers • Mopeds • Outboard motors • Vibrators • Hedge trimmers • Portable Generating sets Motorised bicycles • Pumps • Earth augers • Battery chargers Compressors • Flexible shaft grinders Fogging machines • Tamping machines • Corn grinding machines Winnowing machines

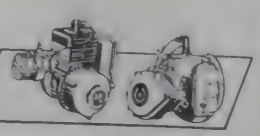
Ralli Engine Model RT-35

Specifications:

Max. H.P.	1.7 at 1200 rpm
Max. Torque	1.10 M.kg at 900 rpm
Speed Range	600-1200 rpm
Weight	7 kg

Applications:
Motorised bicycles • Autocycles Mopeds • Scooterettes • Trolleys Motorised triycycles • Mini load carriers • Passenger carriers Agricultural equipment • Sugarcane crushers

Ralli ENGINE



RALLIS INDIA LIMITED

(Engineering Division – ENGINES)
Ralli House, 21 D. Sukhadwalla Marg,
Bombay-400 001. INDIA
Phone: 268221
Telex: 011-2357 Gram: RALLI

steeply. These included interest costs, inventory charges and personnel expenses in particular, which shot up by 25%," says R.K. Pitamber (54), a law graduate of Oxford University, who is currently the executive vice president (finance) of M&M.

M&M's financial troubles flow essentially from the fact that, while all through the eighties there has been a steady increase in its net sales turnover, the profit graph has not kept pace. On the contrary, while the company's net sales rose from Rs.258.58 crores in 1980-81 to Rs.456.79 crores in 1984-85, its pre-tax profit declined in absolute terms from Rs.17.60 crores to Rs.16.90 crores during this period.

M&M spokesmen attribute the company's declining profitability to the sharp increase in interest and depreciation charges over the last quinquennium, which is the consequence of the high capital expenditure incurred by the company on its expansion and modernisation programme which will pay off shortly. Indeed, between 1980-81 and 1984-85, the interest and depreciation allocations of the company have risen by a whopping 288% and 232% respectively. On the other hand, the increase in net sales by 76.7% during this period, though not unimpressive by industry standards, was hardly sufficient to neutralise the adverse impact of these rapidly escalating costs on the company's bottom line.

Not surprisingly, almost all the major financial ratios have changed for the worse. The total return on capital employed, for instance, which improved from 20.7% in 1980-81 to 24% in 1982-83 has since almost halved to 12.5% in 1984-85. Similarly, the debt-equity ratio, which is crucial in determining a company's ability to raise finance, has risen from 1.05:1 in 1980-81 to 1.73:1 in 1984-85, though it is still within the IDBI's norm of 2:1.

RAISED EYEBROWS

However, while a part of the company's financial woes can be attributed to difficult market conditions which have hamstrung the growth in its vehicle sales and squeezed profit margins — the company's financial planning has raised eyebrows in some corporate monitoring circles. For instance, during 1984-85, the company raised Rs.35 crores in fixed deposits to finance its capital expenditure programme. But it actually utilised only Rs.13 crores for this purpose and invested the balance of Rs.22 crores in purchasing UTI units. In the bargain the company stands to lose over Rs.1 crore annually because while it has to pay interest to its fixed deposit investors at 15% per annum, the maximum annual return it can hope to receive from its investment in units does not exceed 10%.

Meanwhile the deepening demand recession in both the LCV and tractor markets does not provide for much optimism either, and could well cast a damper over the current year's (1985-86) financial performance. "We are expecting a 12%-15% increase in our sales. But I don't anticipate any reduction in our interest burden and hence our profits are likely to remain under pressure," says Pitamber.

But there is the proverbial silver lining to the clouds that hover over the country's second largest automotive four-wheeler manufacturing company.

Major companies in the M&M group

Unlike many other business conglomerates in the country, whose antecedents are often lost in the mists of time, the business house of Mahindras is of relatively recent origin. Founded in 1945, with the promotion of Mahindra & Mohammad (now Mahindra & Mahindra) as a private limited company, the Mahindra business empire today spans a dozen companies and employs over 26,000 people. In 1984, the Mahindra group of companies was the 14th largest corporate agglomeration in India, with total assets valued at Rs.407 crores.

Founded by two brothers, K.C. Mahindra and J.C. Mahindra, the group's companies manufacture automotive four-wheelers, steel, chemicals, plastics, elevators, fluid powered equipment, etc. By common consensus, both Keshub Mahindra (son of K.C Mahindra) and his first cousin Harish Mahindra (son of J.C. Mahindra), who between them manage the group's major companies, are among the most progressive scions of the family-dominated business houses in the country.

The major companies in the Mahindra group are listed below.

Company	Year ended	Gross income (Rs. crores)	Profit/(Loss) before tax (Rs. crores)	Employees	Major product lines
Mahindra & Mahindra	31st October 1985	482.07	16.90	15,618	Jeeps, tractors, LCVs
Mahindra Ugine	30th June 1985	51.43	(1.12)	2,100	Alloy and special steels
Otis Elevators	30th November 1985	35.37	6.54	2,400	Elevators and escalators
Dr. Beck	30th June 1985	40.75	1.75	390	Wire enamels, varnishes, synthetic resins
Machinery Manufacturers Corporation	30th September 1985*	43.97	(19.02)	3,840	Textile machinery, floppy disc drives
Mahindra Sintered	30th April 1985	8.85	1.26	470	Sintered bearings, filters
Mahindra Owen	31st October 1985	7.74	(0.45)	900	Trailers
Vickers Systems	31st March 1985	6.07	(1.86)	800	Fluid power systems
Roplas	31st December 1985	5.51	0.35	350	Fibreglass, reinforced plastic

** 18 months*
Source: annual reports

Since Its Launch, Finesse 4515 Has Outsold Every Other Copier.

In fact, 50% of our sales
are to satisfied customers
coming back for second helpings.



Since its launch in April 1984, Finesse 4515 has become the single largest selling plain paper copier. And with good reason.

State-of-the-art features: the technology factor.

Finesse 4515 offers everything a discerning buyer looks for in a copier. Modern features that reflect the world's most advanced electronics technology:

Reduction and enlargement. 100% edge-to-edge, corner to corner, non-void copying. Microcomputer-controlled, colour LCD panel for simple operation. Straight-line paper path with automatic paper alignment. Clamshell design for easy maintenance.

Getting perfect copies means leaving as little as possible to human judgement. So in Finesse 4515, exposure and toner density are controlled automatically. To ensure that originals are copied with perfect exposure, and for copies of consistently high quality.

Designing for longer life: the reliability factor.

Finesse 4515 has been designed and engineered for long-term reliability. Microchip circuits that live to a ripe old age. And very few damage-prone switches or controls — most of the adjustments are automatic, leaving little room for human error.

Critical components for Finesse 4515 are already being made right here in India. At HRL's modern manufacturing facilities. To Toshiba's ruthless tolerance specifications and exacting quality standards.

And one thing is certain: Your Finesse 4515 will never be out of action for want of spares and consumables.

90% average uptime: the service factor.

HRL's service centres are geared to answer your SOS in 24 hours. Across a network spanning 93 cities and towns.

The case history of every copier is maintained on a computer. If uptime falls below 90%, the computer sounds a Red Alert.

But HRL firmly believes in the old adage: prevention is better than cure. So whether you ask for it or not, your machine gets a head-to-toe checkup regularly.

So it's no surprise that Finesse 4515 has a track record of 90% average uptime.

A major reason why people who become our customers stay our customers.

The case for Finesse 4515 is clear.

It will be even more clear when you actually start using it.

In fact, 50% of Finesse 4515 sales are to satisfied customers placing repeat orders.

But right now, no one can blame you for being nervous.

No one can blame you for making the world's oldest consumer statement: "I'm looking for something reliable."

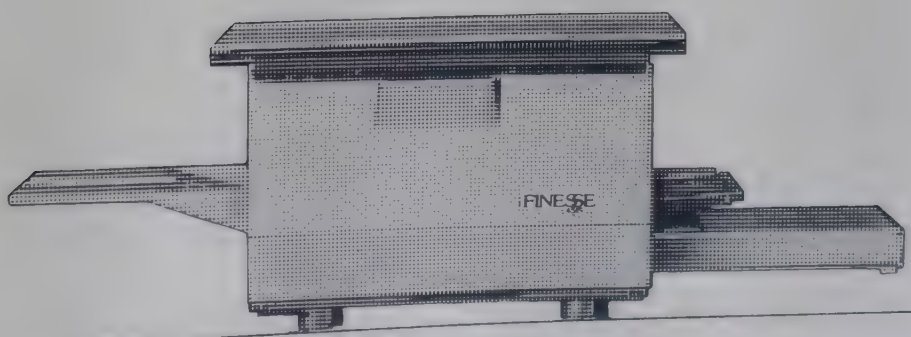
Look no further.

FINESSE 4515

PLAIN PAPER COPIER

In technical association with Toshiba Corporation, Japan.

India's largest selling copier.

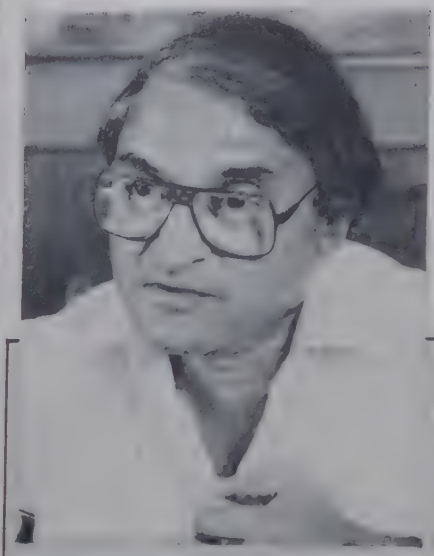


HRL HINDUSTAN REPROGRAPHICS LIMITED

For further information, contact: Hindustan Reprographics Limited. **Head Office:** 5th Floor, Kundan House, 16, Nehru Place, New Delhi 110 019. Tel: 6432908, 6417094.

Branch Offices: Bombay: 74, Regent Chambers, Nariman Point, Bombay 400 021. Tel: 232764, 240888. **Bangalore:** 10/2, Queen's Road, Bangalore 560 052. Tel: 72494, **New Delhi:** 801, Deepali, 92, Nehru Place, New Delhi 110 019, Tel: 6418792, 6439209. **Secunderabad:** P 1-1-58/11, Sarojini Devi Road, Srinath Complex, Secunderabad 500 001. Tel: 75264. **Madras:** 8, Haddows Road, Jai Laxmi Estate, Madras 600 006. Tel: 476846, 474633. **Calcutta:** 11/1A Sarojini Naidu Sarani, Calcutta 700 017. Tel: 296720.

HRL.3.86



"Most of the important financial ratios have been deteriorating since 1982"
R.K. PITAMBER

M&M's operating profits are an exception to the general trend. During the period 1982-83 to 1984-85, the ratio of operating profits to net sales has increased from 10.3% to 11.7%, largely due to the "tight control exercised on raw material costs."

However, there is little doubt that the company's operational efficiency would have been even higher but for the sudden spurt in personnel costs from Rs.53.78 crores in 1983-84 to Rs.65.41 crores in 1984-85. While M&M has the obvious disadvantage of having its major manufacturing operations sited in Bombay — which pushes up the dearness allowance quite substantially — not a few business analysts believe that the company is overstaffed and the management is too soft on its workforce.

A quick glance at the annexures to the directors' reports, which contain the names of those earning over Rs.36,000 per annum for the years 1980-81 and 1984-85, is more than revealing. From less than 750 employees whose names appeared in the annexure to the 1980-81 report, the number has increased almost eight-fold in just four years to nearly 6,000 employees in 1984-85. Quite obviously, in a situation where the growth rate of the company's sales turnover has been decelerating due to intensifying competition, this massive increase in personnel costs has taken its toll on the bottom line.

Another related factor which has also contributed to the erosion of the company's profitability has been the unsatisfactory level of labour productivity, particularly at M&M's Bombay-based plants. Comments de Souza, quoted earlier, "The labour productivity in our Bombay-based factories is not as good as we would like it to be and can certainly do with improvement. But there are historical reasons for this which we cannot ignore. At our Igatpuri and Nasik plants however, which are relatively new, we have laid down more stringent productivity norms and consequently the efficiency in these plants is far higher."

However, there is also the positive side of the labour-management interface in M&M. Over the past four decades, the company has been virtually free of industrial strife which has plagued the national development effort. This enviable record in industrial relations management is attributable to the liberal attitudes and generosity of the management towards the company's 13,707 workers. Apart from promoting numerous housing cooperative societies for its employees, the M&M management also gives them retirement benefits which are among the most enviable in the entire corporate sector (see *BW* cover feature: 'Retirement planning: now is the time,' December 3-16, 1984).

WAGE DEMANDS

But M&M's mollycoddling of its workers through generous salaries and the provision of housing facilities for over 1,000 of its employees has created its own problem for the company.

'By effecting promotions at all levels from within the company itself, M&M has come close to providing the ultimate in job security'

According to sources inside Gateway Building, the company's management is currently experiencing not a few problems in reducing the "inordinately high" wage demands tabled by the Shiv Sena controlled union at its tractor plant in Kandivli.

Meanwhile, there is also a considerable body of evidence to indicate that M&M's 1,893 managers are the most privileged in Indian industry. According to the company's 1984-85 annual report (in the annexure to the directors' report), there are no less than 117 managers earning over Rs.1,00,000 (gross income) per annum *cf.*46 in TELCO, a company which is almost twice the siz of M&M in terms of sales turnover.

That the M&M top management is ex tremely liberal is also indicated by th company's personnel recruitment an promotion systems. By displaying a pre ference for filling up vacancies in it lower ranks from among its worker progeny and effecting promotions at a levels from within the company itself M&M has come close to providing th ultimate in job security. "We believe i promotions from within and it is rar that we hire people from outside, confirms Keshub Mahindra.

DISCERNIBLE COMPLACENCY

While such a system undoubtedl has the twin advantages of impartin stability within the company and de veloping strong organisational loyalties on the obverse side it has its shortcom ings as well. For one, it shuts the doo on some of the best talent which may b available outside the company. Whil for another, in such a closed systen seniority rather than merit often be comes the major criterion for determin ing promotions. As a result, a discerni ble complacency has permeated M&M's managerial cadre — a weakness o which Mahindra himself is well aware (see interview p.50).

This is perhaps why in September 1984, M&M finally broke with tradition to recruit its first top level manager from outside the company in nearly a decade. V.M. Vartak (52), who has over three decades of experience in the personnel function in highly professional multinationals such as Esso (now Hindustan Petroleum), ICI (IFI Ltd.) and Philips (Peico Electronics & Electricals Ltd.), was inducted as general manager (manpower planning and development) with a brief to professionalise M&M's manpower development programme.

"The company already had some systems of manpower planning when I took charge. I am only helping to organise them on a scientific basis," says Vartak modestly. But in doing so, Vartak could well be opening a Pandora's box. People with long memories in Gateway Building recall how a decade ago an external recruit in Vartak's shoes also tried to introduce modern personnel systems which were vehemently opposed. As a result, the new recruit was sent packing in less than six months.

However, to his credit, Vartak has been cautious in introducing change into this traditional and conservative company. "It is first of all very important to be accepted by the people in the organisation before one introduces new



Mahindra en famille: no male heir

systems. Line managers in particular should be made aware of the importance of developing human resources and this should ultimately form an integral part of overall corporate strategy itself," he says.

Vartak has already developed a performance appraisal system for the company and is in the process of finalising a job description system. The latter, according to him, is indispensable for the company as it will have to recruit personnel from without for its diversification ventures.

SPECIALISED AREAS

Fortunately there is already a general consensus that the company will have to eventually recruit a large number of personnel to man its telecommunication and oil exploration ventures — these being specialised areas in which it has no previous experience. Indeed, the lack of previous experience is also the reason why the company is entering these areas cautiously.

M&M's top management has earmarked only about Rs.18 crores initially for these proposed diversifications. Comments Mahindra: "We would like to tread carefully in these new areas and find our feet before we make a major investment."

For starters, M&M has put in its bid for an offshore oil drilling contract with ONGC and if it is successful in securing the contract, the company plans to purchase the *Ile d'Amsterdam,* an oil drilling rig, from its collaborators, Forasol-Foramer, at a price of just over Rs.10 crores.

Work will also start shortly on M&M's EPABX plant near Pune, which is expected to cost Rs.8 crores. Meanwhile the company is also forging ahead with its plans to design telecommunication software systems in collaboration with British Telecom, for use by organisations such as the railways, power stations and even state governments.

The materialisation of all these plans in two to three years is bound to change the visage of the company. At the top management level these diversification ventures will necessitate a greater degree of decentralisation to manage this change effectively.

Fortunately however, unlike most other family-managed organisations — the Mahindra family owns an estimated 12%-15% equity stake in M&M — there is already a fair degree of decentralisation in M&M's operations. Indeed, ever since he resigned his position as executive chairman of the company in 1979—in the wake of his joining issue with the Union government over the question of managerial remuneration — Mahindra has delegated the chief executive's functions to the company's managing director, B.R. Sule. With family members conspicuously absent from the management hierachy of M&M, Sule heads a team of handpicked managers—all of whom have risen through the ranks. As chairman, Mahindra's role today is confined to shaping the long-term policy and direction of the company.

By keeping his distance from the day-to-day operations of the company, Mahindra has effectively stayed out of the limelight. Also — unlike Rahul Bajaj, for instance, who has etched his personality on Bajaj Auto — Mahindra has refrained from letting his shadow loom over M&M.

According to some monitors of the corporate scene, Mahindra's 'aloofness' is not unconnected with the fact that he has no male heir to succeed him. And with none of his three daughters or sons-in-law having any say whatsoever in the management of M&M, these observers deduce that Mahindra is preparing M&M for the day when the company will have to continue without a Mahindra family member at the helm.

INTENSIFYING PRESSURES

But that day could well be several years away. And in the meanwhile, Mahindra — the architect of M&M's ambitious new ventures — may well become more intimately involved with the operations of the company. For with the intensifying competitive pressures on its vehicle sales, its none too healthy financial position and its diversifications into sophisticated areas of business — where the competition is extremely fierce already — M&M is clearly confronted with the prospect of a slippery road ahead.

"This is a very challenging period for the company. The situation today is not unlike that in the mid-seventies when we had to face a major crisis and did so successfully. And while Mr. Keshub Mahindra will not play a role in the day-to-day affairs of the company, he will remain deeply involved in policy formulation. This will be a major source of strength for us in these difficult times," says Sule.

Certainly, M&M will require Mahindra's experienced hand at the wheel to steer the company through this difficult period in its history. With over three decades of experience in the higher echelons of Indian industry, Mahindra, who is in good health and puts in a five-day week in Gateway Building, could prove to be the vital factor in M&M holding steady on its rough road ahead. BW

How M&M compares

	Year ending	Net sales (Rs. crores)	Gross profit (Rs. crores)	Return on capital employed (%)	Total liabilities/ net worth (%)
TELCO	31.3.85	914.04	71.20	13.76	235
Mahindra & Mahindra*	31.10.85	456.79	27.03	12.50	262
Hindustan Motors	31.3.85	312.88	36.14	12.80	123
Ashok Leyland*	31.12.85	334.38	24.69	9.25	167
Bajaj Tempo	30.9.84	102.53	17.76	19.64	143

Source: The Stock Exchange Official Directory
** Annual reports*

BusinessWorld
May 26—June 8, 1986

Trailer transportation

P.V. SATYANARAYANA



There is little awareness in this country that wide-bodied aircraft and space shuttles are often transported by road from their manufacturing plants to airfields and launch pads or other destinations in the developed countries. Even complete large size modular chemical process plants weighing up to 2,000 tonnes are transported over fairly large distances by road from fabrication units to project sites. Advances in trailer technology have made such transport engineering feats possible in the developed countries.

Road transportation by trailers drawn by trucks has begun to make its impact on the transportation scene even in India. The design of large sized, gas-based nitrogenous fertiliser plants and power generating units up to 500 Mw have necessitated the utilisation of advanced design trailers in India since the early eighties.

The beneficial impact of using trailers is not just limited to their ability to transport extra heavy and large dimensional cargo. Trailers also confer other advantages upon the nation in terms of fuel savings, transportation of relatively larger volumes of cargo at one time and reduced damages to roads and bridges. Further, with the increasing popularity of container transportation, trailers have necessarily to be used.

The economics of trailer transportation can be best illustrated by the following example. A conventional truck motorised by a 120 HP engine can carry loads only up to 10 tonnes, assuming it is not overloaded as it usually is in India. By adopting a single axle articulated trailer tractor combination with the same engine rating of 120 HP, the payload capacity can be increased to 18 tonnes with a mere 25% increase in operational costs which include fuel and maintenance expenditure. Further, the use of the trailer tractor combination would help distribute the loads on more points on the surface, reducing damage to roads.

SEVERAL ADVANTAGES

Though there is an awareness among India's transport policy decision-makers that the increasing adoption of trailer transportation in the country would confer several advantages especially in terms of fuel saving and road preservation, the government is yet to articulate a policy in this respect. However, transport operators in India have begun to become aware of the immense benefits which can be derived by using trailers. As a result, many road freight haulage companies have gradually been increasing their trailer fleet strength. But while most road transport companies in India are adding to their trailer strength, creating capacities of up to 50 tonnes per trailer, the most fascinating and lucrative part of the trailer business has begun to emerge in the area of transporting project equipment which is extra heavy and of large dimensions.

A handful of transporters' firms took the initiative in the early eighties by importing sophisticated trailers with capacities of up to 500 tonnes each. Such transport organisations include Urmilla & Co. Pvt. Ltd., Nabros, N.S. Guzder & Co. Pvt. Ltd., Resham Singh Brothers, J.M. Baxi & Co., and the Transport Corporation of India Ltd. (TCI), all based in Bombay. But there is considerable scope for other transport firms to diversify into the field of heavy project equipment transportation. There is a growing number of industries which require such transportation facilities.

The challenges that lie ahead for India's road transport firms in transporting extra large plant and machinery to project sites can be best illustrated by the following examples:

■Until the late seventies, India had been largely building nitrogenous fertiliser plants with production capacities of up to 900 tonnes per day (tpd) for ammonia and 1,350 tpd for urea. The new generation nitrogenous fertiliser plants which have either been commissioned or are under construction have been designed for capacities up to 1,700 tpd for ammonia and 2,250 tpd for urea. This has necessitated the installation of very large equipment fabricated in single units at overseas manufacturing plants.

At the Thal Vaishet plant of Rashtriya Chemicals & Fertilisers Ltd. (RCF), the typical equipment that has been installed includes a urea reactor weighing 425 tonnes and measuring 28 metres in length, three ammonia reactor units, each weighing 355 tonnes measuring 48 metres in length, and boilers weighing 130 tonnes each measuring 11 metres in length, seven metres in width and 10 metres in height.

'Though there is an awareness among India's transport policy decision-makers that the increasing adoption of trailer transportation in the country would confer several advantages especially in terms of fuel saving and road preservation, the government is yet to articulate a policy in this respect. However, transport operators in India have begun to become aware of the immense benefits which can be derived by using trailers'

FORMIDABLE TASK

All this equipment was transported by a 20 axle, 525 tonne capacity imported trailer and hauled by two imported prime movers of 440 HP each. The equipment was required to be transported over a distance of about 20 km from a specially constructed jetty to the project site—indeed a formidable task. If transporting the equipment for RCF was a tough proposition, imagine the problems likely to be involved in transporting similar equipment for the five other gas-based nitrogenous fertiliser projects under implementation in Rajasthan, Madhya Pradesh and Uttar Pradesh.

■The 1,700 km HBJ gas pipeline project which is to be executed on a turnkey basis by the consortium led by the French company Spie-Capag also has an extraordinary transportation task ahead. The consortium will have to transport 40 ft pipes, each weighing four tonnes, from Kandla port to various destinations on the pipeline route. Anticipating this, Indian transporters have reportedly adopted a consortium

approach towards the task which will require the deployment of about 150 trailers.

■The installation of 400 Kv transmission lines by the National Thermal Power Corporation (NTPC) and a few state electricity boards has prompted the demand for 440 Kva transformers. These transformers weigh up to 150 tonnes each and require to be transported by special trailers. The task of transporting equipment for power plants in India is likely to become increasingly challenging as the country moves towards the installation of 500 Mw generating units and 760 Kv transmission lines.

■Building and project construction methodologies in India have lately undergone a change in favour of greater sophistication. Currently the trend is towards transporting heavy construction equipment such as excavators weighing up to 70 tonnes to the site from the factories. Hitherto they were dismantled and reassembled at site.

TECHNOLOGICAL CHANGES

The demand for sophisticated trailers from the road transport sector is expected to grow over the next quinquennium as a consequence of technological changes taking place in Indian industry. Currently, India has a fairly well established manufacturing base for less sophisticated mechanical trailers of up to 100 tonnes capacity. Prominent indigenous trailer manufacturers include Mahindra Owen Ltd., Pune; VACM Pvt. Ltd., Madras; Trailers India, Madras; Eastern Trailers, Calcutta and Bharat Earthmovers Ltd., Bangalore. In addition, there are 10 small-scale manufacturers offering trailers of up to 40 tonnes capacity.

But the recent announcement of the decision of the internationally renowned trailer manufacturer, Goldhofer Fahrzeugwerk GmbH, West Germany to set up a facility in India is expected to result in the availability of sophisticated mechanical and hydraulic trailers with haulage capacities of up to 500 tonnes. Such trailers are to be manufactured in India with advanced features such as axle compensation, automatic and self-tracking steering. Goldhofer has teamed up with the TCI-Bhorukha group to form a new company, Bhoruka Goldhofer Trailers Pvt. Ltd. (BGT), in which the German company will have a 30% equity stake. Goldhofer, West Germany is credited with the technological capability to manufacture trailers capable of handling up to 5,000 tonnes as payload. Currently, the company is reportedly examining the manufacture of a 9,000 tonne capacity trailer. Apart from BGT, Acme Manufacturing Co. Ltd., Bombay and Pierce Leslie India Ltd., a plantation company based in Cochin, have also announced plans to develop advanced technology trailers.

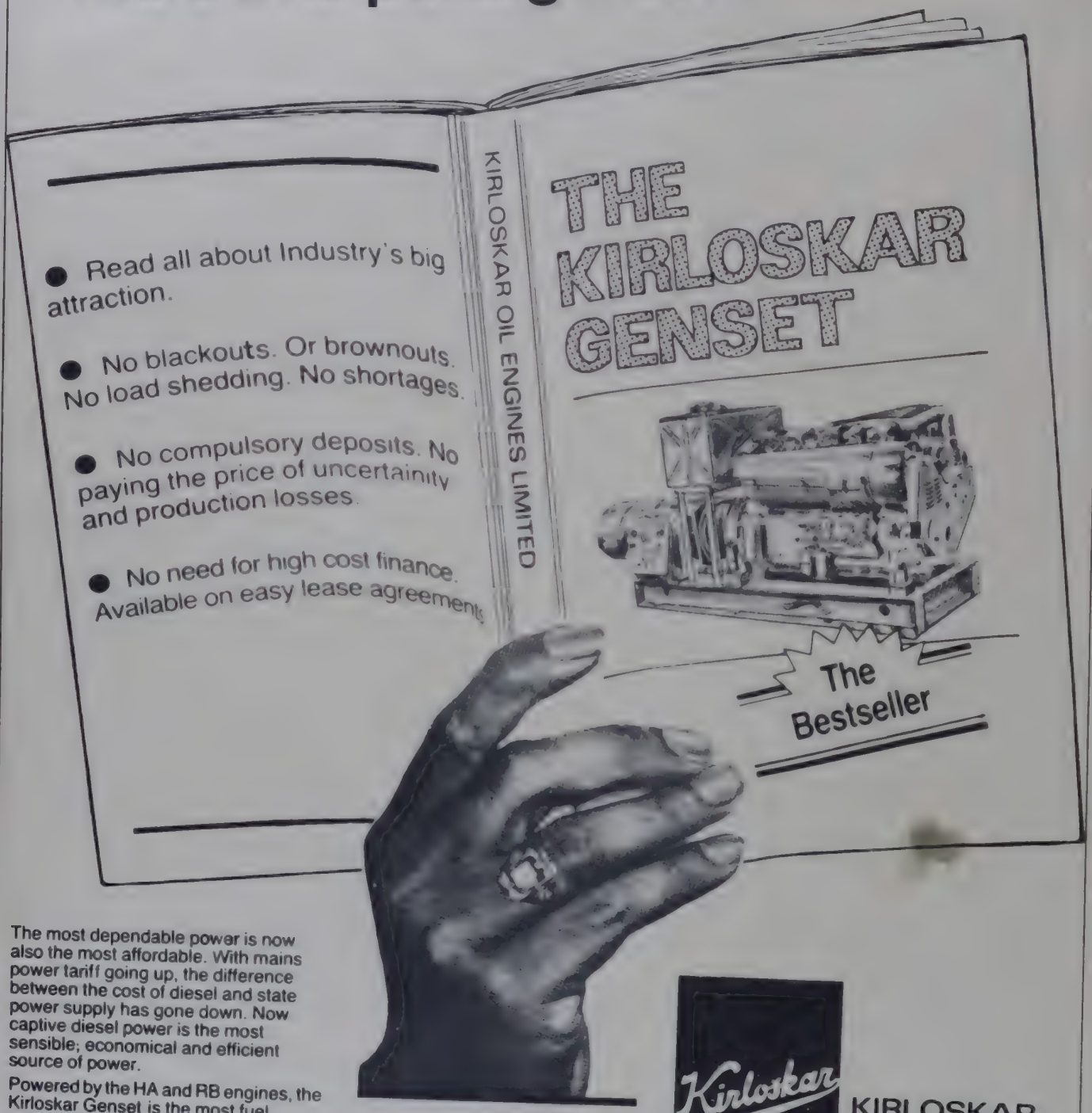
It may be worthwhile for existing transport road firms to consider diversifying into the area of project equipment transportation. The indigenous availability of sophisticated trailers in the near future is expected to make the diversification process relatively easier.



Which magazine has given you the finest contemporary business biographies?

BusinessWorld
There's a world of a difference

Once you pick it up
There's no putting it down!



The most dependable power is now also the most affordable. With mains power tariff going up, the difference between the cost of diesel and state power supply has gone down. Now captive diesel power is the most sensible; economical and efficient source of power.

Powered by the HA and RB engines, the Kirloskar Genset is the most fuel efficient in its class....15 to 83 kVA range. It offers the lowest cost of operation.

We bring you all the benefits of this bestseller now within easy reach.

Kirloskar

KIRLOSKAR OIL ENGINES LIMITED
Khadki, Pune 411 003

Contact our offices at:

KIRLOSKAR OIL ENGINES LTD.
UCO Bank Building,
Parliament Street,
NEW DELHI 110001
Phone: 388544, 381786

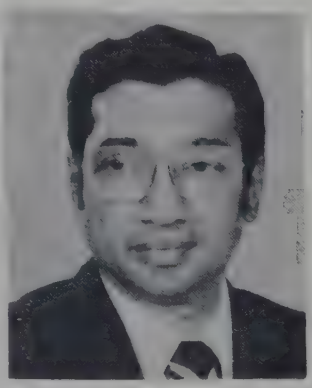
KIRLOSKAR OIL ENGINES LTD.
15, Khader Nawaz Khan Road
Kakani Towers, II Floor
Nungambakkam
MADRAS-600006
Phone: 471998

KIRLOSKAR OIL ENGINES LTD.
Suite No. 1, 10th Floor,
'Chitrakoot', 230/A, Acharya
Jagdish Chandra Bose Road,
CALCUTTA 700020.
Phone: 443363, 444731

KIRLOSKAR OIL ENGINES LTD.
2046 Sadashiv Peth,
Pune Vedshastrottejak Sabha Bldg
Opp. Municipal Sports Ground,
PUNE 411030
Phone: 34697

Marketing morality

WALTER E. VIEIRA



It is generally assumed that marketing professionals and business people in general will accept or rationalise any argument, provided the actions taken help them to achieve the final objective—profit.

But this is only partly true. Enlightened managements no longer accept the premise that the only objective of the company is to make profits. Though without profits the firm will not exist and will eventually have to shut shop, it is now also accepted that the primary purpose of a business is to create and retain a customer and to build a relationship which matures with each passing year and by which trust and confidence is forged between a firm and its customers. True, profit is as necessary to a business enterprise as food is necessary to sustain human or animal life. But by the same criterion, he would be a foolish person who says that he lives only to eat. What is true for the individual is also true for a business firm or entity.

In this process there can sometimes be conflicts between an individual's and the boss' value systems and perhaps an organisation's value system. What an executive perceives as unethical, may not be viewed in the same light by the firm. And executives in India are constantly confronted with such dilemmas. If a firm resorts to illegal or immoral practices, should an executive resign from his job, or should he toe the line out of feelings of loyalty to the organisation? Should he expose to the public cases of bribery and corruption, defects in products, misleading advertising, preferential distribution, violations in pollution control and other such misdemeanours? Or should he be a silent spectator to such goings-on, accepting the argument that this happens everywhere?

BLIND EYE

Unfortunately, too many executives prefer to turn a blind eye to such goings-on, mainly because of two reasons. Firstly, they have to maintain themselves and their families, so they do require their salaries. Usually, they have taken a long enough time to arrive at their positions; and jobs—especially at equivalent levels—are not easy to come by.

Secondly, frankness is frowned upon in the indigenous industrial (and social) hierarchy. Anybody rocking the boat is looked upon with suspicion, his loyalty is questioned and life is made difficult for him. So he has either to fall in line or be squeezed out.

These conflicts in the adoption of ethical norms manifest themselves in many ways even in the marketer's sphere of operations, such as in the area of product offering. I know of the case of a young and personable industrialist who claims to be a highly idealistic and morally upright individual. He has an engineering degree earned abroad, abstains from liquor and smoking, controls a large business in a systematic and fair manner, and spends his leisure with his family or indulging his passion for music. And yet, on one occasion, he asked me whether I could locate a source of supply of methaqualone for him, because he had received a large order from some country in West Asia. Did he know that methaqualone can be misused as a habit forming drug? Yes, he did. But it did not matter. It was a business deal. After all, he was only supplying against an order and that also from abroad. Therefore no harm was done to our country, or to Indian youth! A problem of marketing morality—but he did not see it as such!

A morally questionable action could even be in the area of distribution. We are all too familiar with dishonest and partial distribution of goods of all kinds which may be in short supply at different times—sometimes kerosene, or edible oil, or even a particular brand of toothpaste or specialised medicines. This is done either with the aim of making a quick buck; or favouring certain customers; or reducing costs of distribution by supplying only to the nearest locations or supplying only to those who can pay a high premium. Vendors will keep giving a long list of justifications. But they have violated the basic, unwritten rules of marketing morality.

Then there are the borderline moral decisions one often has to take when there is neither a black nor white picture but many shades of grey. Is the company absolutely in the clear when it promises a better figure with a bust developer, better learning through a memory developer, fairer skin with a fairness cream, a mop of thick hair with a hair conditioner, or totally bacteria-free drinking water with a water filter? Perhaps the answers are not entirely negative. A company can go round all the rules of even regulatory bodies which control advertising or fair trade practices, if it wants to carry on doing what it does. Only self-regulation and the compulsions of the marketplace through consumer reaction will bring about the play of marketing morality more definitely.

FIRM STANCE

Against this dismal backdrop, it is heartening to see many in the business world who take a firm moral stance. There are many such people—valiant soldiers who do not always have paeans of praise sung to them. And there are some who try to avoid a possible conflict (which they foresee will arise) between their own value systems and those of the organisations that employ them.

A young marketing executive once told me that he could not accept the assignment as group product manager in a cigarette company because he did not want to be involved in promoting the sale of a product which was injurious to health. Another executive spurned the offer to become the marketing manager of a liquor company because he was a teetotaller by conviction. And in spite of a sizeable increase in salary and perquisites offered in this new assignment, he decided to let it pass!

I have nothing but admiration for the management of a consumer products company which takes the trouble to distribute one of its products (during periods of short supply) across the country on a quota basis—the allocation being based on stockists' sales records for the past one year. This means a lot of trouble in collecting and analysing figures, but fair and equitable distribution is ensured. Then there are companies which keep monitoring market prices to ensure that there is no profiteering at the retail level and release advertisements giving retail prices to guide the general public.

So despite the generally gloomy backdrop, there are also many marketers who dare to think, speak and write to uphold ethical values and ensure a morality in marketing, in spite of the fact that many times it does not pay. May their tribe increase!

New world of non-management

Prakash Tandon is perhaps India's most well-known and widely respected professional manager. In his career, which began when he joined Lever Bros., Bombay as a market research assistant in 1947, he attained many distinctions and was appointed the first chairman of Hindustan Lever (1961-68); chairman of the public sector State Trading Corporation (1968-72); chairman of the Punjab National Bank (1972-75); and director general of the National Council of Applied Economic Research (1975-80). Currently Tandon is the honorary president of NCAER.

Even while he was carving out a career as one of the most respected managers in Indian industry, Tandon found time to write a three volume autobiography, rich in social history and which is popularly known as the Punjab trilogy.

In the last extract taken from the third volume of his trilogy, we had featured Tandon's account of the trials and tribulations of diluting the foreign shareholding of Hindustan Lever. In the current extract we feature his account of the rise of India's most ambitious public sector company—Hindustan Steel—which introduced him to the management culture which has since sabotaged India's economic development aspirations.

Hindustan Steel, India's first and largest public enterprise, started in 1961, was having teething troubles. Its new, dynamic minister, C. Subramaniam, felt that they should have a professional manager on the board, and asked me to join as a non-executive director.

Hindustan Steel was my first experience of serving on the board of a major public sector company. The steel company was India's biggest industrial complex in 1963, running four large steel mills, which specialised in a range of products, coal and iron ore mines, and a fertiliser plant. It was large by any standards, with the added complexity that the plants were built in collaboration with four countries, Russia, Krupps of West Germany, a consortium in the United Kingdom, and one in Japan, with sub-contracting in a number of other countries for quite sizeable contracts. Each was responsible for a turnkey job to build and hand over a going concern.

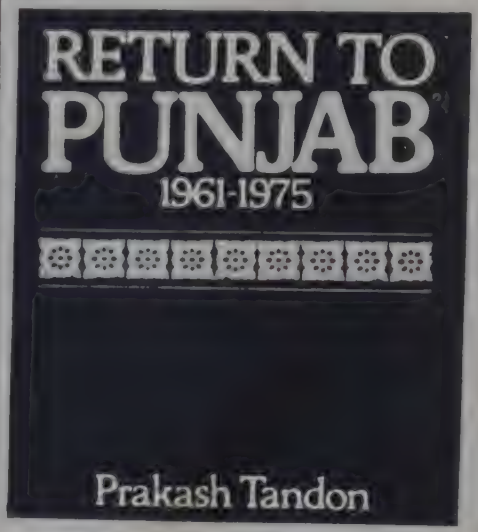
If to all this industrial and cultural diversity were added the naivete, indeed utter innocence of anything to do with steel or management, of some of those from our side who coordinated and ultimately ran the mills when they were handed over, confusion of a rare kind can be imagined. In fact, a story I heard, which I considered apocryphal, turned out to be so true when I checked, that one's mind boggled at the reality.

Our chairman, retired from the civil service, went on a visit to the USA, where he was invited by the management of US Steel. Its president, as the head of the world's largest steel company, decided to take personal note of the visit of the chairman of the developing world's largest steel complex. He specially arranged to fly with him in his private plane to one of US Steel's plants to create an opportunity for a personal chat. It is said that no matter how much the American probed into Hindustan Steel's working he drew a blank from our chairman. He was genuinely interested in the working of a steel complex in a country like India, of its technologies, one at least of which was among the latest; especially as talks were going on then about the next and largest plant to be set up with US collaboration.

Our chairman, neither a steelman nor particularly sensitive to the new technologies and their operational performance in the environment of India, gave short, simple answers. Fortunately he did not talk authoritatively about things he did not know, a not uncommon feature of Indians. Exasperated, the president gave up, with a polite remark, "Mr. Chairman, you are the most relaxed chairman of a steel company I have had the pleasure of meeting."

"Yes, yes," said the chairman happily when I asked him about this incident, "he really was very impressed with my calm, relaxed way; he expected I would be tense and overwrought like the high-powered American top executives. I am, as you know, a very relaxed person." And, as if to illustrate it, he sucked at his briar pipe.

Those responsible for negotiating and planning were drawn from the administration. They came from the Indian Civil Service, the Indian Audit & Accounts Service and the Indian Railways. The ICS men led the teams, helped by the finance men, whose knowledge was not really in finance but in audit and control, in rules and regulations. The technicians were railway men, mechanical, electrical, signals and construction engineers. There was occasionally a metallurgical scientist and someone from industry. I think there were emotional blocks in both government and private steel industry. The latter had two plants, one of them particularly successful. Government, setting up in competition with the private sector, was not anxious to learn from it, nor were the private firms anxious to teach. It is interesting that we asked private industry abroad for help, but not our own.



I think the sensible thing would have been to do a clean job, like the British government, to nationalise the two private steel firms, Tata Steel and Indian Iron, learn to run them well, use them as nuclei, expand and diversify, and then build new ones. This ideological contradiction stemmed from our tendermindedness, which always creates problems. Or else, we should have given the private plants freedom to expand and diversify, to stand or fall, in competition with the public sector plants; this too would have made sense, but letting them exist without the freedom to thrive did as much harm to HSL as to Tata Steel and Indian Iron. In fact, Indian Iron so declined that government had to take it over 15 years later, instead of taking over when it was in full health. Fifteen valuable years were lost through this tendermindedness at a great cost.

The men who did come from the private steel plants were not always the best, and working under civil servants, unappreciative as well as oblivious to their skills and contribution, the best mostly left in disgust.

To man the new mills, we sent hundreds of young, freshly graduated engineers to the USA, the UK, Germany and Russia for periods of nine months' training with their steel companies. They went from shop to shop, mostly observing, and came back as steelmen to run our shops. I met a group in America, and I gathered that they had done a poor learning job. After joining the board of Hindustan Steel, I met them later in the shops, at work and in the evenings in groups socially. They were generally a keen bright-eyed lot, anxious to prove, perhaps more than to learn, but always very anxious to please and impress, that fatal characteristic of ours at all ages and levels.

'The irony was that here from top to bottom all were inexperienced. No one had ever made steel before. But what bothered me more than their inexperience was their xenophobia combined with a lack of humility to learn'

I have always longed to see in an Indian subordinate, but seldom seen, that steadfast gaze, open and direct, combined with a capacity to listen intently and appreciatively; a gaze returned directly with the answer that has within it a capacity to agree without ingratiation, or to disagree with courage, politely but firmly. During their training abroad they were full of euphoria, straining at the training leash that held them back, rearing to go and prove themselves. I found this attitude disquieting; it forebode neglect of training that would create problems at the coalface.

Also I heard, vaguely and politely though, that they combined their desire for an early return with a characteristic capacity for travel; they were always visiting their friends or relations among the vast numbers who live or travel abroad. Given affluence and freedom to travel, no Indian will ever stay at home for long—he will always be visiting holy places, or friends and relations and of course today, "going foreign." I could well believe that with the discovery of the long week-end, easily extended through a small request, some took their learning process in a relaxed way. In the UK I doubt if they learned more; in West Germany it must have been a bit better; but the best job was done by the Russians, who put them to work as soon as it was possible, and let Russians stand by, teach and watch. And there was nowhere to go in Russia anyway.

At Rourkela, I met many of them at the club in the evening, and they displayed a touching concern for opportunity to show their paces held back by the presence of so many German technicians. If only the foreigners could be sent back, they would get on with the job and show what they could do independently. The Germans were "experts" away from home, the boys argued, not among the best—why should the best be sent out who had their chance at home? No outsider could have had the feel they had for their own plants in their own country. And so they talked with great fervour and conviction.

I liked their enthusiasm, but the rest left me unimpressed. No matter how keen our own young Lever trainees—a far more carefully picked and trained lot—I would have felt alarmed at the idea of their taking over things at so immature a stage. The irony was that here from top to bottom all were inexperienced. No one had ever made steel before. But what bothered me more than their inexperience was their xenophobia combined with a lack of humility to learn, when neither inexperience nor ignorance of steelmaking was their fault. One was worried by their refusal to realise all this. Their confidence did not impress, as would have done a certain becoming diffidence.

I then went up to the German superintendent, a large cheery man whose very appearance extruded a steelmaker's masterly confidence. "Yes," he said in answer to my question about the plant and the boys. "It is a fine plant, the latest in world steel technology, the LD process, one of the first outside Europe. It is a very sensitive process, fast and economical, and with it goes the rest of the mill which specialises in flat products, not the simple billets, bars and rails, which of course makes it more profitable. It has therefore to be run with great skill, and its most important demand is maintenance. Both these are matters of experience and care. The boys are a fine lot, keen and intelligent, and I have no doubt that in years to come they will make good steelmen, but you do need experience of more than a few months' training. They need to work hard at it; steelmaking is an exacting task, a little neglect, there can be a snarl up and a whole line has to be switched off. The workmen too are new and they have also learned their skills on this plant. Many are not far removed from the village and their familiarity with machines is recent. For skilled trades we have especially some fine Punjabi Sikhs and Malayalis, but the labour from the neighbourhood is unskilled. The boys have therefore a double job, of learning themselves and teaching others."

The German superintendent knew the feelings of his Indian colleagues and anticipated my next question. "Yes, they can do the job, even now if they like. We shall be gone soon; sooner, if they wish; and even sooner if we had our way," he added with a tinge of sarcasm. "Rourkela is not a place that enamours us. We are comfortable here but our wives are lonely; there is nothing for them to do all day, the same movie house, the same club, the same swimming pool, the same faces. Of course they do manage to keep themselves busy; German women will not remain idle. They have organised some activities and run a school for our children, but they miss home; we do too, though work keeps us busy, sometimes round the clock. Yes, we will soon leave, because jobs are easy to get at home—in fact all of us were tempted out of our jobs because Mr. Krupp personally regarded this as one of the first major prestige projects abroad. It was good for the new Germany's image, and I think we have done a good job; it will now be up to your people to show that they can complete it by making the plant run well and produce the products you so need for your development."

The German showed neither anxiety about remaining here nor impatience to return home; he seemed imbued with only one idea—to leave behind a job well done. The Indian engineers began to collect around us, but he spoke on, unperturbed, as he had no complaints, no blame. One could however sense a little sadness at the lack of at least some appreciation, instead of the anxiety to see them go, which also carried the implication that they were here in plush jobs with nothing to offer that the locals could not do. To the German steelmen, with generations of skills behind them, with a dedication to work, this must indeed have been gall to swallow.

Three years earlier I had done a fortnight's sponsored visit to Germany, starting from Frankfurt, going through

the densely industrial belt and ending at Hamburg. Because of their Indian connection at Rourkela, Krupps paid special attention to our Indian marketing team of 10. At Hamburg, I stayed behind for a few days with the Unilever headquarters for West Germany, the largest and the most prosperous in the Unilever group in Western Europe. In December 1960, Germany was fully restored and affluent, and while the new affluence had brought Italy, France and especially England frequent strikes and a growing desire to take it easy, in German factories and offices work was still worship. Nehru's slogan that remained only a slogan in India, hardly ever practised. At Unilever's Hamburg office the working day was eight in the morning till six in the evening. "Lunch break—no, we eat our sandwiches at the desk." The German superintendent at Rourkela saw no signs of hard work, often not even a moderate amount.

In the early sixties we were already taking it easy; in fact when did we not, except during the three fortnights of the Chinese and Pakistan wars? Offices opened at 10, officers trolled in up to half-past 10, the clerks slightly later; then the cups of tea and coffee; in the evening the exodus began soon after four in the afternoon. The workmen emulated this.

The Russians at Bhilai, also their biggest prestige project abroad, were different. To meet the board and local management, they arranged a party that began Swedish style with just one drink as we congregated at seven, and the next five hours at the table. So unlike the habit we picked up from the British and improved upon, of drinking on an empty stomach for so many hours that most people say goodbye as soon as they have finished dinner. Here, like in Sweden you never drank alone; someone toasted you. As is customary among Russians, it was a stag party and the drinking perhaps unusually heavy, but with food it did not appear burdensome; both time and liquor flowed smoothly and fast.

The conversation was mainly through interpreters. Some of our men had picked up quite a fluency in Russian, but the hosts preferred to use their own interpreters, including a particularly charming girl, the only slim Russian girl I met. Someone told me that she used to joke about it. "Which Russian will ever marry me, I am not even 140 pounds?"

The Russian superintendent was not unlike his German counterpart, large, fluff, competent looking; but with no conversation. Here our men did not talk



Steel making in Durgapur: the British decided to leave as soon as possible

leave-us-to-do-the-job and expressed no anxiety to take over. The number of Russians was large and continued to remain so. I believe they deem this necessary even today. They did not attempt to mix and certainly not to fraternise. They mostly lived at Bhilai Hotel, belonging to the plant, a family per room, entirely to themselves. No questions were asked, no answers given, and no discussion. Nor were there any inter-personal problems. The Russians came to do a job of work and would stay as long as they considered it necessary. This seemed to continue 15 years later. They took their own decisions. And Bhilai production-wise has been the most successful of all the plants, even allowing for the fact that it is of simple technology.

At Durgapur there were very few British left after the construction stage. They lived a life apart, like their governing predecessors before them, which had meant some recrudescence of the old social problems of real and imaginary affronts, an aloofness misunderstood all over again though I gathered the fault partly lay with a pompous and status-obsessed man we had appointed from our side. The British, like the Germans, decided to leave as soon as possible, not to overstay the welcome, and to escape operational recriminations of which there had been enough already.

Oddly enough when C. Subramaniam took over the ministry he made the bold decision to keep Douglas Bell as general manager of Durgapur for two years longer. Bell was given two men to groom, and asked to recommend one of them to succeed him. Of course we chose the one he did not recommend; and when the plant ran down, Bell was blamed roundly for having flogged the plant to show near-capacity production during his own stay. This I could hardly believe of him, for like his Russian and German counterparts, he was a steelman and shared their feelings for the plants. He was a Scot, born and bred in steel, handpicked for the job by the British consortium and knighted after he left—a small consolation for the criticism we gave him gratuitously and in good measure.

I talked more freely with Douglas Bell than with the formal German; with the Russian one had no contact, but they all represented a fine dedication to steel, and to their respective plants. The type of successors we hastily bred were naturally different, but I wish I could have found in them the basic quality of steadfastness and strength that living with steel, had built into their foreign counterparts. In any case none of our three plant managers was a technician.

To my first board meeting of Hindustan Steel I went most carefully prepared. I ploughed through the voluminous agenda that kept pouring in, first in Bombay, then the papers waiting at the HSL guest house in Calcutta, some more on the company plane waiting at Dum Dum airport to pick up the visiting directors, another lot in the car waiting at Ranchi airfield, more at the Ranchi guest house, and the last instalments on the board table, where papers kept arriving through the meeting, and the last mi-



Shipping is sophisticated business.
Requiring a high degree of professional skill.
There's no room for amateurs.
Because errors can be costly.
No excuses at Varun. An alert and efficient management that knows where profits are.
With expertise to ride stormy waves
and **keep full ahead** in spite of heavy weather.

It takes a lot more than just a rudder and a compass to find one's way in the shipping business.

Performance and results speak for themselves.

- Two 1:1 bonus issues in the last 9 months
- 20% dividend in 1984-85 and 20% pro-rata in 1985 (8 months)
- Return on net worth for 1984-85 – 43%

Varun Shipping

Charting new courses in growth

A **Khatau** Enterprise

BusinessWorld
May 26 — June 8, 1986

nute supplementaries were placed on the table after the agenda was finished.

It all showed a tremendous but suspect keenness to finish as much business as possible till the meeting next month. After a while I saw in this enthusiasm also a bad habit, and came to the conclusion that whether the board met weekly or annually the agenda papers would still have arrived like the irregular and ever-swelling course of a mountain stream. The agenda itself consisted of papers of varying sizes, quarto, foolscap, double foolscap, some pages folded upwards, other sideways, and yet others folded upwards, sideways and at the corners. And then I wondered whether the bad habit had not a method in its madness. I did wonder too whether there was not a gamesmanship in it—to send the agenda items inversely in their order of importance, placing some important items last on the table, after the meeting.

The text of the agenda was typed downwards, but the statements and tables in all directions. Truly breathtaking was the mass of facts and figures. The introduction to each case reached as far back in time as possible and pursued its slow course until the present. References, cross-references, correspondence with the ministries, state governments, contractors, management and others were carefully reproduced. Dozens of columns and hundreds of figures filled the statements, but never an attempt at evaluation, assessment, statement of alternatives or recommendations; only at the end there was the charming euphemism for indecision—"The Board may kindly decide."

The board had always to do everything with kindness, be kind to be informed, be kind to consider, and the ultimate in kindness was to give a decision. It was the same amusing culture of the Indian Airlines where everything, including its frequent delays, was announced for the kind information of the passengers. Thus did the East India Company, literally translating a customary courtesy from Persianised Urdu, refer to itself as kind, generous, honourable, gracious, the fountain of everything, *bahadur*—the brave. The same spirit still endured in generous references to the board—the board would kindly recall that they were pleased to consider this matter, and they kindly decided and directed. The directors were however addressed as plain Shri, with no reference to our personal courage, achievements or attributes.

As a classical touch, the agenda's some hundreds of pages were pierced and joined with a string in candy stripes, and the whole thing tied on a flat board with side flaps and grey-white tapes, no longer red. I was not surprised when next year I began to receive similar agenda from the venerable Reserve Bank of India; but receiving it in HSL on matters relating to the LD steel process, R&D, or the purchase of a new executive plane, it looked anachronistic. Besides its antiqued appearance, its wealth of facts and figures was more than I could assimilate, despite all my love and familiarity with figures. As was only to be expected, the agenda set the tone for the board meetings, which could seldom rise above its own detail. There was little chance for policy discussion.

What puzzled me in my first experience of working with a government undertaking was the whole new world of non-management. Brought up on systems and predictable behavioural patterns, I was astonished to see a world of non-systems. The agenda served as an introduction, but what followed was sometimes bizarre. At one meeting the chairman read out a letter from the secretary in the steel ministry suggesting that the board might consider passing a resolution along certain lines, adding however that it was not government's intention to lay down what the board should decide, nor did they wish to direct it in any manner. It would nevertheless be advisable, without treating this letter as a directive, for the board to resolve in the manner suggested, exercising of course its own judgement and prerogative to decide.

The chairman explained that government had actually powers to issue directives in the name of the principal shareholder, the President of India, but in this case and many others, it appeared that government would rather tell us what to do than formally direct us to do so. The secretary wanted us to treat it as advice and not a directive, but to act as if it were a directive, so that while we decided in our own best judgement, it should be in the way government had decided. And, finally, the letter ended with the request that the chairman might let him know that we had done so.

I asked the chairman to tell the secretary formally that we had indeed done so; and also assure him that we appreciated his concern for our autonomy as a board. The chairman laughed wryly, and said, "Join the public sector," he added, "You will enjoy it hugely." It was the secretary who received his reward by being elevated to a highly decorative post where he did nothing ever right and nothing ever wrong; he just did not do anything.

The chairman and the board could not do much without consulting the ministry, which took an all-pervasive interest in the company. It was always argued by the ministries' men that as they were responsible to Parliament, they had to know what went on, and to guide the board in a way that prevented trouble with Parliament. Parliament of course treated the ministry and the company alike. The company was therefore at the receiving end of both, and both were as free with advice as with criticism. The administration and the legislators could as easily deal directly with HSL's units, sub-units and individuals. They could make recommendations for jobs and contracts, demand information and little facilities and generally act as privileged persons.

I became quite engrossed in HSL, and was asked to draw up plans for a management information system and a new corporate plan. I suggested that the three main steel plants be made into subsidiaries of a holding company to be formed out of the head office at Ranchi. Each plant company would be a corporate profit centre, responsible to its own board, whose chairman would be the plant manager, and he would also be a member of the holding company board. Finance, R&D, senior personnel, dealing with Central government, buying abroad, and such matters would be handled by Ranchi. It was received with great enthusiasm, but while the chairman was sympathetic, somehow it got nowhere, and I realised that to them, bred in their administrative systems, it made no sense. It was perhaps regarded as fanciful; such a system might work in private industry and suit international companies, but here they were up against local circumstances—and audit. And how would it help produce more steel, or solve labour problems?

As someone new to administration's culture, I could not understand how they expected an industrial undertaking, run wholly on administrative lines, ever to produce results. The two cultures were quite different. Outdated enough in its own sphere of administration, it was a worse misfit in the job the new enterprises were set up to do. The railwaymen, the civil servants, the audit and accounts men, men of competence in



Shipping. The right type of vessel
at the right price.
That decides success.
Deployment of fleet, with shrewd
and timely decisions.
Whether on long term charter or tramping.
Varun's entire fleet is busy — profitably.
Servicing of oil exploration.
Bringing petroleum products or vegetable oil to a
port closest to **your** home.
Varun plays an important role in **your** life
and in the nation's economy.

It takes a lot more than a fleet of ships to make a shipping company great.

Varun has an enviable reputation for success
and growth. Results reflect both.

- Two 1:1 bonus issues in the last 9 months
- 20% dividend in 1984-85 and 20% pro-rata in 1985 (8 months)
- Return on net worth for 1984-85 – 43%

Varun Shipping
Charting new courses in growth

A Khatau Enterprise

CHAITRA-B VSC 2

their own fields, all brought their own manuals, forms, filing and noting system; a system that had been evolved a century earlier as a foundation for districts and Centre relationships,to the steel mills. HSL thus became two worlds, the one that adopted the new technology, and the other that controlled everything through an antiquated system not suited to industry. The two worlds blamed each other.

Both were right in their own ways. The difference came out at the board meetings in mutual recriminations. If the finance men ever had a point, it was lost long ago. If the production men had one, they never seemed to make it, they only argued like the young engineers at Rourkela—leave us alone! That controls of finance and freedom of production could be made to work jointly never occurred to anyone.

With the sudden departure of Subramaniam, the minister who was infusing some life into HSL, to the ministry of food and agriculture, where his drive was equally needed and where he did indeed give a push to the new varieties of wheat, HSL began to sag. With a characteristic kind of imagination, the minister, the secretary, the chairman, and the plant managers were all changed at the same time. This was not a conscious clean sweep but just a coincidental routine change, to which no one gave any thought. And once again, the new men were not steelmen. They put Banerji, plant manager from Rourkela, as vice chairman, to act as chairman indefinitely. He didn't know whether he would be confirmed as chairman or sent to the New Delhi secretariats. I called on the new minister to offer my services in case he wanted to consult me on anything. I suggested that he might visit Ranchi and meet the board to acquaint himself with our problems. His eyes lit for the first time and he said he would very much like to visit a plant and address the workers; as for the board, yes, he might meet them too, but he showed no enthusiasm.

I wondered later whether I was right in not accepting Subramaniam's offer. As I outlined my plans about reorganising HSL, he listened with interest and asked me if I would take it over. I felt embarrassed because I did not wish to be misunderstood for the interest I took; in any case I explained that it was too soon for me to leave Levers. As their first national chairman, I had the task of grooming an Indian successor, who was being put through a number of forward moves to be matured and prepared for the top. To leave at this stage would compel Unilever to send out an expatriate chairman, which both they and I would consider a pity. Subramaniam understood, though he asked me later if I would take over the Bokaro project, the largest steel plant that was going to be built with Russian help, after the American collaboration failed to materialise.

It was sad to see HSL decline when it was so close to success; to see this great dream of Nehru, an international venture with so many industrially developed partners in the world, shrink into a sick and limping reality.

In 1968, Chandy became chairman of HSL. Chandy faced the accumulated problems of nearly four years of neglect, an administration of minimal cooperation, a restive Parliament, and a hostile left political group that one would have imagined close to him emotionally and ideologically—something that must have pained him more than the rest. Labour problems became acute, through bitter inter-union rivalries, and a management demoralised by the constant political and labour pressures which became truly cruel at one stage.

No one helped; many hindered. Each time I met him he looked a sadder man, his ulcers worse. Ultimately, after three years of heroic effort he threw in the sponge and left. There was no introspection into why had he failed, what had gone wrong, what could have been avoided. There was another reshuffle at the top, but things were no better. In 1961, the first year of HSL, India made a total of 3.1 million tonnes of steel, in 1970, 6.1 million tonnes and 6.4 million tonnes in 1975. Against this progress, a brave minister made a statement in 1975, brave even for him, that India shall make 100 million tonnes by the year 2000!

A solution, simplistic, caught everyone's imagination in 1971 as a panacea to the ills. The new minister, Mohan Kumaramangalam, one evening over dinner outlined his plan of a holding company. The Steel Authority of India, whose chairman would also be secretary in the ministry of steel. It would hold shares of HSL and its subsidiaries and also in the two private steel companies, to the extent that government financial institutions had given them loans.

I thought it was a good and a bold idea, provided the systems' weaknesses were now removed and not allowed to bedevil the new set-up, as was done to each reorganisation in the past. I had doubts though about his second idea.

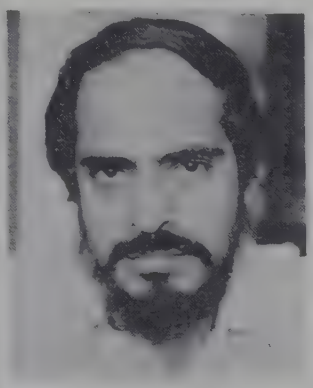
Combining chairmanship and secretaryship would no doubt shorten the organisation links, but while solving one problem it would make another. A secretary in a ministry is a permanent civil servant who guides and serves the minister in his dealings with public, Parliament and cabinet, and also coordinates tasks that concern other ministries, which for steel were many. Directly and indirectly he has to deal with ministers of finance, home, petroleum and chemicals, labour, planning, foreign trade and commerce, supplies, railways, transport; almost everything except perhaps health and family planning. Looking after the minister through three sessions of Parliament lasting nearly seven months, each with an avalanche of questions, and attending the many Parliamentary committees, coordinating with other ministries both at the Centre and in the states, attending numerous meetings; would all this leave the secretary-chairman any time to run the largest holding company, a vast agglomerate? And in the end what matters is the freedom he enjoys, whether he is a chairman or secretary-chairman.

'No one helped, many hindered. Each time I met him he looked a sadder man, his ulcers worse. Ultimately, after three years of heroic effort he threw in the sponge and left. There was no introspection into why had he failed, what had gone wrong, what could have been avoided.There was another reshuffle at the top, but things were no better'

I suggested that the secretary could fall between two stools and make neither a good chairman nor a good secretary. Besides, the two jobs called for rather different skills—one of industrial management and the other of administration in a political set-up. And if the idea was to stop the secretariat interference this could easily be done by just stopping it. An understanding could be reached that the chairman would consult the secretary and seek his help,but he should have direct access to the minister, the secretary and the chairman. However, I wished him luck. Whether the idea worked well or not, Kumaramangalam's successor unceremoniously, without a review or analysis, dismantled the whole arrangement because he did not like the secretary-chairman. And his successor changed everything again.

Alternative news

DARRYL D'MONTE



A few years ago, Rosemary Righter, a journalist with the London-based *Sunday Times*, wrote a pioneering book titled *Whose News?* about the control by foreign news agencies of an entirely different commodity for worldwide export—news reports. After the release of the UNESCO MacBride report, running into some 500 pages, the reality of this unequal flow of news is now commonly accepted. The question is: what to do about it?

In Latin America, for example, Associated Press (AP) and United Press International (UPI) supply as much as 80% of the foreign news in the papers. Agence France Press (AFP) and Reuters supply the rest. That the news about the world is invariably biased goes without saying. It concentrates on disasters and serves up "human interest" exotica only to show how quaint are the people living in third world countries.

The New International Information Order, championed by our prime minister as uncrowned king of the non-aligned movement, threatens, however feebly, to supplement this network and is therefore condemned by the western powers. But there is nonetheless a serious concern that the new order may in fact be worse than the old if it submits news to government control and pressure.

EXPENSIVE BUSINESS

The point is that with the spread of electronic gathering and dissemination of news, the business is becoming increasingly expensive and in the third world, only governments have the resources and hardware to supply news to other developing countries through a 'pool.' This makes the objectivity of such news highly suspect and there is a genuine fear that the new order may in fact be speaking the rhetoric of freedom but bowing to the dictates of censorship.

In a sense, an even deadlier failure will be the lack of interest in the sanitised items put out by state-controlled media. How many times in the past few months have you jumped out of your breakfast chair after reading an item from the non-aligned pool (from Yugoslavia or Cuba, for example)? Professor J.S. Yadava of the Indian Institute of Mass Communications, New Delhi has studied the impact of the alternative newspool on Indian papers and found that out of 869 stories received during a particular week, only 149 or 17% were transmitted by the Press Trust of India (PTI).

Propaganda may be only part of the sorry story; sheer unprofessionalism in reporting may be responsible as well. One has only to see the quality of reporting of AIR and Doordarshan to realise how boring the state-run media can be. And why spend time and money transmitting such bilge to newsrooms all over the globe when it will be spiked anyway?

Examples of good, incisive and above all, committed journalism in the third world are few and far between. Happily, some of the best exponents of it were on a tour of major Indian cities recently. They were from the Third World Network, which is run by the well-known Consumers' Association of Penang (CAP) in Malaysia. Claude Alvares was the Indian connection and the network has an office in Goa, from where it hopes to syndicate Indian news features to other third world countries and *vice versa*.

The idea of a consumers' association taking up such issues may sound strange, especially since the Indian brand of consumerism—*a la* Professor Manubhai Shah of Ahmedabad—is firmly rooted in the American tradition. But as Khor Kok Peng, the CAP research director, explained at a meet with the Bombay press, their concept of consumerism is to fight for the basic right of survival, which includes putting a stop to the sale of degraded commodities.

CAP runs a monthly journal titled *Utusan Konsumer*, which sells a mind-boggling 65,000 copies in Malay and 35,000 in English. A Chinese version will shortly hit the newsstands. "We get away from the western concept of telling you what to buy with your money," says Peng. The February issue of the journal deals with the problems of sawmill workers "sacked without notice or benefits" and a three-page feature on a $20 billion dam, the controversial Bakuw hydel project.

RUNAWAY SUCCESS

CAP started the journal because "people's issues never made it to the press—only scandals." They first thought of a column in a newspaper, though editors were sceptical about consumerism as a sales proposition. It was a runaway success and the press has since been a great supporter of CAP's campaigns. These include campaigns against smoking (not only on health grounds but also because it accounts for 4% of consumer expenditure, and tobacco is grown on valuable agricultural land), junk foods, poison and pesticides, destruction of tropical forests, and for breast-feeding.

These wide-ranging concerns clearly distinguish organisations such as CAP and its Third World Network from other such groups which pay lip-service to the cause of liberation but have a pretty poor idea of how to go about it. Mohamed Idris, the coordinator of the network, praises Indian journals for being far ahead in their investigation but calls for a stronger third world perspective. If professional material—intelligently and interestingly written—can be provided by the network, it will certainly be welcome. There is much to learn about other Asian, African and Latin American countries and precious little is being put out by the established agencies.

The only discordant note sounded at the Third World Network meet was by Mohamed Asaria who edits a London-based magazine called *Afkar Inquiry*. He made a blanket condemnation of first world news agencies and said that the BBC was funded by the British foreign office and kept out known progressives like Richard Gott, at present features editor of the *Guardian*. I asked him if what he said was true, how come Mrs. Thatcher was so upset with the BBC's broadcasts on the war with Argentina. He didn't have a convincing answer. While Asaria might spout fire and brimstone, his own journal hardly disguises its Islamic fundamentalism.

This is precisely the danger that alternative news and views agencies must avoid. They need not condemn everything western out of hand. For instance, which Indian newspaper has devoted, as has the *New York Times*, full-page features on how the Bhopal tragedy occurred? Is there a better purveyor of truth in the broadcasting world than the BBC? One can learn from the professionalism of the western media even while avoiding its biases.

BusinessWorld
May 26 - June 8 1986





India's housing nightmare

By MICHAEL NERI

Against the need for 168 million housing units to house a population of 740 million, the viable national housing stock is probably no larger than 61.7 million units currently. With the prospect of 56% of the population being unhoused or inadequately housed at the turn of the much touted 21st century, there are signs that the nation's long-desensitised intelligentsia is beginning to react to the plight of the homeless with uncharacteristic distress.

In a fatalistic society in which suffering is considered an inevitable part of the human condition, the denial of the basic creature comforts which contribute to the dignified and civilised existence of a majority of the Indian population is a subject which has provoked a flood of rhetoric but little action. Thus even as the brave new political leadership of the nation has articulated the goal of racing towards a hi-tech society of the 21st century, food, clothing and shelter are unattainable luxuries for large segments of the population. While admittedly the supply of affordable food and clothing into the national marketplace has increased — even if marginally in recent years — India's housing crisis is ballooning into a nightmare.

The dimensions of India's housing crisis were highlighted at a seminar in New Delhi in late March when the Union minister for urban development, Abdul Ghafoor, admitted that almost 25 million Indian families — or 130 million citizens — do not have a roof over their heads. Now there are signs that even the long-desensitised indigenous intelligentsia is beginning to react to the plight of the nation's homeless with a somewhat uncharacteristic distress, and perhaps also empathy, even if only because the desperate search for a home is one experience that India's intelligentsia understands well from firsthand knowledge.

Consequently, there are indications — albeit tenuous ones — that the policymakers and elected representatives of the people are beginning to shed their traditional apathy and disinterest in the housing sector in favour of a distinctly more concerned stand.

DEFINITIVE OUTLINE

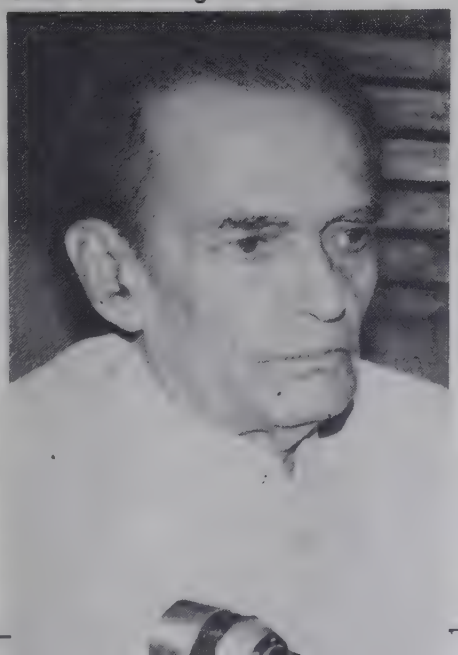
By early December 1985, what at first appeared to be mere tokens of a new commitment to tackling the national housing shortage on a more determined basis, acquired the outlines of a definitive plan to solve one of the country's most pressing problems. The draft Seventh Plan presented to Parliament on 4th December which envisages a massive increase in the outlay on housing from Rs. 12,900 crores in the Sixth Plan to Rs. 31,485 crores in the Seventh Plan, was the first positive indication that the government is now willing to address the gigantic problem with a degree of commitment, even if only in intent. And in late December 1985, Ghafoor, in a memorandum issued to the press, committed the government of India to providing "shelter for all by 2000 AD" and quickly thereafter proposed the establishment of an apex level National Housing Bank to ameliorate the nation's snowballing housing crisis.

In March, finance minister Vishwanath Pratap Singh announced a somewhat mixed bag of fiscal measures which some sections of the populace applauded for its potential beneficial impact on housing while other sections protested strongly against the new provisions, which they feared would adversely affect the construction of new residential housing units. The proposals included higher rates of depreciation on houses provided by companies to their employees; an abolition of tax on the notional income of self-occupied residential properties; a raising of the limit of tax deductions on rented houses; and the abolition of the tax deductions on interest payments on housing loans, repair and maintenance charges, etc.

Singh quickly retracted somewhat on the proposal to abolish the unlimited tax deductions on interest payments on housing loans, in the wake of widespread public protest against the measure. On 3rd April, he announced a modification of the income tax law whereby a tax deduction of up to Rs. 5,000 per annum would be permitted on interest payments on housing loans. But this modification notwithstanding, opinion is as yet somewhat divided about the overall impact of the new fiscal provisions.

H.P. Ranina (39), the well-known Bombay-based tax lawyer and consultant, is one of those who takes a dim view of the recent amendments of the income tax law pertaining to housing. "While the abolition of notional income tax on one residential house is a welcome step, this proposal will adversely affect those persons who have purchased their residential property by borrowing funds or taking loans. This is in view of the fact that, at present, a house owner is entitled to set off interest and other expenses which cannot be absorbed by the (notional) house property income, against his income from other sources such as salary, investments, etc. This benefit will not be available from 1st April 1986 as a result of the amendment. This is a classic illustration of how an amendment conceived in the interest of the taxpayer can have the contrary effect upon a certain class of persons, who unfortunately belong to a very vulnerable section of society."

Ghafoor: damning admission



IMPORTANT NEED

On the other hand, Nasser Munjee (33), a postgraduate in economics of the London School of Economics and Chicago University, USA, and currently an economist with the Bombay-based Housing Development Finance Corporation Ltd. (HDFC — assets: Rs. 306 crores in the year ended 30th June 1985), is not quite as critical of the new tax measures. Comments Munjee, "Housing is such an all important need that people will purchase houses, no matter what impediments are put in their way. Middle class taxpayers who take loans to buy houses will be adversely affected by the recent proposals, but are unlikely to put off decisions to buy a house because of this. In most cases, the reduction of the tax deduction on interest payments will be nothing more than an uncomfortable irritant."

But whatever the specific responses to the recent amendments of the income tax law, there is little doubt that a new mood is manifest within the corridors of power in New Delhi, in which the long neglected housing sector of the economy is no longer considered unimportant. Perhaps the clearest indication of this is offered in the recently approved Seventh Plan document, which sums up the government's thinking in respect to housing thus, "The time has now come for the government to set before itself a clear goal in the field of housing and launch a major housing effort: not so much to build, but to promote housing activity through the supply of fiscal and financial infrastructure such that every family will be provided with adequate shelter within a definite time horizon."

Yet, these recent fiscal and other policy changes are not merely long overdue but, good intentions notwithstanding, may even prove to be a case of too little being done too late. Against the backdrop of the gigantic housing shortage conservatively estimated at 25 million housing units, the need is for a radical change of direction and bold policy pre-

BELPAHAR
REFRACTORIES
LIMITED

a new name

TATA REFRACTORIES LIMITED

Our old skill
in making refractories
now under
an illustrious name.

TATA REFRACTORIES LIMITED

a new dimension

naa TRL8623

BusinessWorld
May 26 – June 8 1986

scriptions. Instead, a series of timid and contradictory fiscal and other policy measures have been announced, the net effect of which can only be marginally beneficial.

But quite apart from confused policy, there is also adequate evidence to indicate that the magnitude of the housing shortage problem has been seriously underestimated, and therefore the recent policy changes are something of a joke in relation to what actually needs to be done. According to the semi-autonomous New Delhi-based National Building Organisation (NBO), the housing stock of the country aggregated to 109.1 million units, of which 32.6 million were *pucca* (i.e. built with brick, mortar and a tiled or concrete roof), 38.4 million were semi-*pucca* (without a tiled or concrete roof) and 38.1 million were *kutcha* units. Since a *kutcha* housing unit is almost by definition inadequate, and since an estimated 13%-15% of *pucca* and semi-*pucca* units are in a poor state of repair and need immediate replacement, the viable national housing stock is probably no larger than 61.7 million units currently.

AGGREGATE SHORTAGE

As against this stock, the need for housing units, based on an estimated current population of 740 million and five individuals to a family unit, is of the order of 168 million units. The aggregate shortage of housing units is therefore likely to be as large as 106.3 million units currently. Projected housing shortages may have also been underestimated. Given the median projection of a population of 980 million by 2000 AD, the requirement for housing units in that year will be of the magnitude of 196 million units. Since the net growth of housing stock has averaged a mere 3% per annum equivalent to 1.83 million units per annum on an average in the last decade, the aggregate housing stock in 2000 AD is unlikely to exceed 86 million units of adequate semi-*pucca* and *pucca* houses if investment in housing is not stepped up significantly. Thus the housing shortage is likely to aggregate to a mind-boggling 110 million units at the turn of the century, which will mean that an estimated 56.1% of the population will be unhoused or inadequately housed as the nation enters the much touted 21st century.

Horrifying as these statistics are, they do not tell the full story of India's housing nightmare. For even amongst those living in *pucca* houses in both urban and rural areas, access to electricity, piped water supply and built-in toilet and bath facilities is by no means universal. According to the NBO's handbook of housing statistics pertaining to 1982-83 — the latest year for which such statistics are available — only 66.97% of urban residents received their entire supply of drinking water from piped sources, and of these, over 77% had access only to community taps. Similarly, only two-thirds of all urban residents had access to some latrine facilities, and under one-third had toilet facilities in their own residences. And almost 53% of all urban residents had no electricity supply to their residences, indicating the magnitude of the slum and squatter population of urban areas.

'...the housing shortage is likely to aggregate to a mind-boggling 110 million units at the turn of the century'



Typical metropolitan urban housing: not the full story

Yet, the gross outlay on slum improvement and other urban development schemes during the Seventh Plan period has been upped from Rs. 997.53 crores in the Sixth Plan to Rs. 1,801.29 crores in the Seventh Plan, which in real terms is not very much larger. And even in respect to housing, the public sector (i.e. via Central, state and local governments and public sector undertakings) outlay in the Seventh Plan has been raised from Rs. 1,490.87 crores in the Sixth Plan to Rs. 2,458 crores which, given the inflation in real estate prices, is even lower in real terms than that of the Sixth Plan.

Though the government estimates that the private sector will step up housing investment from Rs. 12,900 crores during the Sixth Plan period to Rs. 29,000 crores in the Seventh Plan period, in the absence of a well-oiled institutional mechanism for canalising investible resources for housing and for maintaining effective demand at planned levels, this expectation is only as good as a pious hope.

PATHETIC INABILITY

The genesis of the country's nightmarish housing problem can be traced back to the Union and state governments' pathetic inability to do anything to tackle the main causes of the urban housing problem, *viz.* (1) an acute shortage of urban land consequent to the nationalisation of all urban land in excess of the stipulated urban land ceiling in 1976; (2) the massive influx of rural citizens into urban areas; (3) irrational urban rent control legislation which is a serious disincentive to the construction of new houses; and (4) a dizzying escalation in real estate prices, especially in the metropolises, which has pushed the poor and even the middle classes out of the housing market.

Though the disastrous consequences of these prime causes have been extensively discussed — though in a fragmented manner — in the national media and elsewhere, a reiteration and identification of the fundamental causes which have contributed to the creation of India's housing crisis is necessary. For in the 10 years since the urban land ceiling law has been enacted, the urban environment has deteriorated beyond imagination, even as a massive underground economy based on speculation in land and housing has sprung up, providing yet

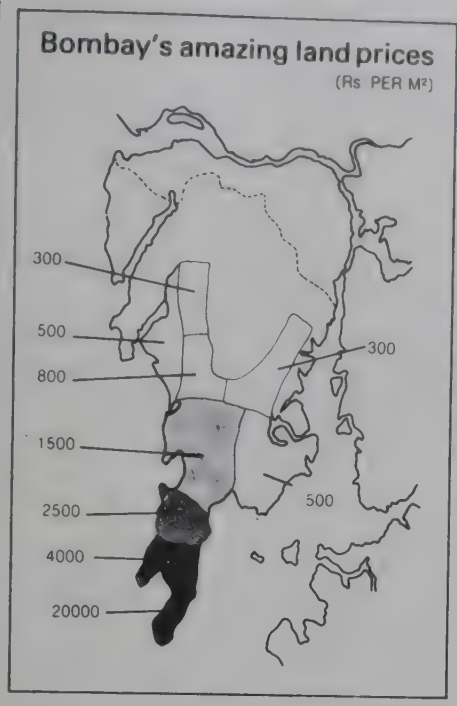
another instance of the human cost of ham-fisted state intervention.

In 1976, in an attempt to derive populist mileage during the Emergency, the Indira Gandhi administration legislated an urban land ceiling law (applicable to cities with a population exceeding 3,00,000) which stipulated that any land in excess of a certain stipulated amount — 500 sq metres in metropolitan cities — owned by a 'family' would be taken over by the government at specified rates which were below the prevailing market values. The law was purportedly designed to release the supply of scarce urban land, but its effect in reality has been just the opposite. Though the respective state governments which were charged with implementing the law gave notice of acquisition of "excess" urban land within months of the promulgation of the new law, little land was actually acquired and utilised for housing the poor and disadvantaged as intended.

GROSS FAILURE

And in the few instances where land was actually given to the poor on lease under a sites and services-type of scheme, the opportunity cost of the land and the building sited on it was so high that recipients invariably leased or rented it to the more well-to-do at near market rates and moved back into slums. The gross failure of the urban land ceiling laws in achieving equitable distribution is aptly summed up by Devendra B. Gupta, a staff economist of the World Bank in Washington, who writes in a report entitled 'Urban Housing in India' (World Bank Press, Washington), "In short, the Urban Land (Ceiling and Regulation) Act of 1976 does not so far appear to have contributed towards the provision of low cost housing. Perhaps this is because it has not yet resulted in any sizeable transfer of land from private to public ownership. Also, to the extent that vacant land has become available for public acquisition, the government has been very slow in taking it over. Indeed, by severely restricting the supply of land for development, this Act seems to have adversely affected construction activity. Further, limitations imposed on land holdings have tended to push up urban prices, especially of the exempted vacant land, adversely affecting the production of housing for the poor."

Yet in the immediate aftermath of the Act, supply of urban land for private construction was immediately frozen, and an already impossible situation was made worse. Real estate prices escalated sharply as a consequence, and builders, speculators and corrupt politicans and government officials made huge windfall gains. In the land-starved island city of Bombay, the promulgation of the urban land ceiling law made land so scarce that new supply could only be created by reclaiming additional areas submerged under the sea. And the then ruling Congress government of Maharashtra is reported to have collected stupendous sums from private builders in exchange for permission to build office complexes in areas which are now called Cuffe Parade and Nariman Point, possibly the most expensive real estate in the world.



Real estate prices in Bombay vary between an astronomical Rs. 20,000 per sq metre in Nariman Point to Rs. 400-500 per sq metre in distant Borivli, 35 km away from Nariman Point. Residential housing prices have also shot through the roof: rates of Rs. 1,500 per sq ft (Rs. 16,000 per sq metre) in Bombay's Cuffe Parade and Rs. 350 per sq ft (Rs. 3,700 per sq metre) in the distant suburbs of the island are the norm rather than the exception.

In other cities as well, prices range between Rs. 250 to Rs. 800 per sq ft of built-up area, depending on the location and the type of building material used. At these prices, a modest one-bedroom flat admeasuring a mere 600 sq ft costs between Rs. 1.8 lakhs in suburban Calcutta and Madras and Rs. 9 lakhs in the prime residential areas of Delhi and Bombay.

That these prices are high even in relation to those prevailing in metropolitan New York and London — where a modest 1,000 sq ft apartment in the heart of the city will cost approximately $ 40,000-50,000, equivalent to Rs. 500-600 per sq ft — is a much reported fact.

But the tragedy is not so much that real estate prices have spiralled to unbelievable levels, but that they continue to increase by 50%-70% each year or by 10-15 times the rate of inflation for the economy as a whole. At such rates of inflation, a barely affordable one bedroom flat priced at Rs. 2.5 lakhs today is unlikely to be affordable next year, when its price would have jumped to Rs. 4 lakhs, and would be well beyond the reach of even the very rich when it jumps to Rs. 15 lakhs in 1990.

DIZZYING RATE

Most housing experts and construction company representatives whom this correspondent spoke to, attributed this dizzying rate of escalation in urban property prices to the mean urban population growth rate of over 4% per year — almost twice the rate of growth of the population for the country as a whole — while the supply of land is constant.

Yet, since over half the increase in urban population is accounted for by impoverished slum dwellers, effective demand for land and real estate cannot be growing at a rate faster than that of the population as a whole, i.e. by 2.2%. Again, since the price of agricultural land has been escalating by between 10%-15% per annum as a consequence of population growth, a similar level of escalation in urban land values would be natural. Therefore the only explanation for the skyrocketing escalation of urban land prices is widespread speculation in real estate.

This conclusion is endorsed by Rajendra Kumar Poddar (50), chairman of the Calcutta-based Poddar group's 10 real estate and construction firms, which have an aggregate annual sales turnover of Rs. 10 crores. Referring to the steep escalation in real estate prices in Calcutta in recent years, Poddar comments, "The sale price of residential flats currently varies between Rs. 400-600 per sq ft, which is substantially higher than the price levels of 1980-81, which ranged between Rs. 200-250 per sq ft. Yet, even at these high prices, our experience has been that there are many takers, indicating that people are buying residential and even office space not because they need it, but because they want to hold it till prices go up further. This is essentially speculative investment, but the effect is that the actual supply of houses for those who need them is reduced, causing prices to spiral further."

Another important factor which explains the abnormal escalation of urban real estate values is the price inelasticity of demand for urban housing. Com-



Parekh: price inelasticity

ments Deepak Parekh (41), a graduate in commerce of Bombay University and a British trained cost accountant, who is currently managing director of India's largest private sector housing finance company — HDFC Ltd.: "Our experience has been that demand for housing is not very dependent on price, but is closely related to income. The moment a family can afford to buy a house from its painfully accumulated current savings and on its current level of income, it does so irrespective of whether the price is exorbitant or not. This behaviour has to be viewed in the context of a house being a vital necessity, to acquire which people are willing to make large sacrifices. And an inevitable consequence of such buyer behaviour is that builders push up prices almost at will."

PROFIT MARGINS

Kamlesh Kumar Gupta, a postgraduate in commerce of Kanpur University and accounts manager of Kamanwala Housing Finance Development Co. Ltd., which went public recently, reflects a similar point of view when he argues that, "Builders are accustomed to making a 30%-40% profit after paying all expenses, including interest charges which are often very high. Since there is a large shortage of houses, any increase in the cost of land and building materials is passed on to the consumer without reducing the profit margins of builders. Yet purchasers are willing to pay the higher prices without hesitation. This is because price increases also benefit the

The HDFC model

"No nation, especially one that is based on the principles of equity and social justice can afford to ignore the housing sector for very long. Indeed, in my view, the emerging problems of the nineties will be those linked to the process of urbanisation and housing development. Although at present the spatial distribution of India's urban population is fairly balanced, in absolute terms, at the current urbanisation rate, India's urban population will approach its rural population. Does the absorptive capacity exist?" asks Deepak Parekh (41), managing director of the Housing Development Finance Corporation Ltd. (HDFC — disbursements: Rs. 306 crores in the year ended 30th June 1985).

The answer to this question will determine the shape of India's urban conglomerations in the years to come. And as things stand, the answer is in the negative. Apart from the availability of land, the single most important factor that determines whether enough houses will be built for burgeoning urban populations, is finance. And housing finance is woefully short in India.

Yet, this is not an inevitable destiny, as the Bombay-based HDFC has demonstrated. Promoted in 1977 by the veteran banker H.T. Parekh and others, HDFC has pioneered the development of housing finance institutions in this country and over the past seven years has mobilised public savings to finance the acquisition of over 1,40,000 houses. HDFC today is India's largest private sector housing finance company, and has sanctioned cumulative loans aggregating to over Rs. 577 crores *cf.* Rs. 870 crores by the LIC over the past 30 years.

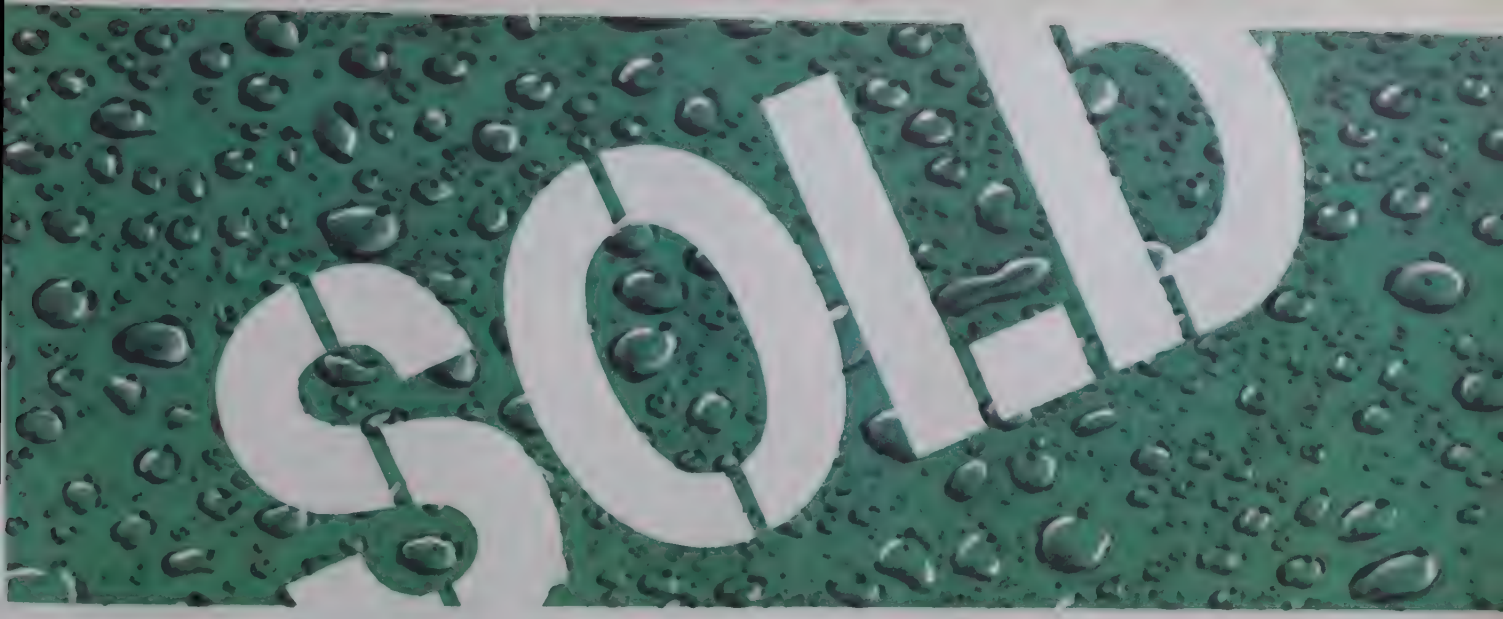
Admittedly, HDFC got off to a good start with a $4 million IFC (Washington) seed loan, which was subsequently raised over the period 1983-85 with $50 million from the USAID housing guarantee programme. The most important step of making a sufficiently large intervention in the housing finance market in order to be recognised as a source of finance was thereby avoided. Yet over the years, HDFC has been able to mobilise over Rs. 200 crores in public deposits and through the issue of corporate securities — a fact that would have been impossible if it had not, over a short period of time, gained the confidence of the investor and the public at large.

But in a low income economy, HDFC is forced to turn down at least 10% of all loan applications because prospective borrowers are unable to meet its relatively rigid criteria for eligibility because of poor repayment capacity. Yet, given the great demand-supply gap the corporation has not made any aggressive attempt to solicit customers either.

"The demand for housing finance exceeds supply by a big margin on a countrywide basis, and there is a need for scores of institutions such as HDFC to meet the need. But our problem is to mobilise funds, and though we have been more successful than we had expected in marketing such new schemes as loan linked deposits and our home savings plan, we should be doing much better if we are to meet even a substantial part of the country's housing needs. The two major problems relating to housing finance are the high cost of money and the absence of a mechanism to recirculate house mortgage securities. We are examining ways of sorting these problems," adds Parekh.

Affordable houses. Yet the development of a housing finance infrastructure without a simultaneous increase in the supply of housing can only result in even higher prices of houses. Parekh is keenly aware of this, which is why, in 1979, HDFC promoted a wholly owned subsidiary called HDFC Developers Ltd., to build houses and flats. "The objective of this diversification is to augment the supply of affordable houses to people, especially in areas where private builders do not enter because of profitability considerations. We have already constructed about 500 housing units at Chinchwad near Pune and 200 at Vashi (New Bombay) are under construction. We hope that our proposal to develop a full fledged township in suburban Bombay in collaboration with the Godrej family trust — which holds over 500 acres of land in Vikhroli — will be cleared soon," he adds.

Parekh admits that HDFC Developers has big plans for the future, and an attempt to purchase construction machinery from the recession-bound West Asian nations is now under consideration. "The use of modern construction methods could cut construction costs by up to 30%," says Parekh by way of justification. HDFC Developers' ambitious foray into construction is no doubt good news for the growing number of middle class homeless.



The better they are made the faster they go!

Tushar Water Coolers.

There's always such a rush for Tushar Water Coolers every summer, that quite a few people get left out in the cold (or heat!). That's when they have to go without the Water Cooler that quite obviously spells reliability and durability.

And would you believe that its wide range and its perfect blend of elegance and performance can lead to disappointment for some people? Why? Simply because these qualities are responsible for the rapid sales of Tushar Water Coolers.

So make sure it doesn't happen to you this summer!

Voltas Tushar Water Coolers.

The refreshing respite.



VOLTAS LIMITED
Appliances Business Group,
19, J.N. Heredia Marg,
Ballard Estate,
Bombay 400 038.

CLARION/B/V/71/254

The Dutch Connection. Non-stop to Amsterdam



Discover Amsterdam. The city of brightly coloured tulips and storybook windmills. Where the streets are paved with history and the air charged with the excitement of one of Europe's busiest commercial centres. Dykes and diamonds, Van Gogh and the vikings. Amsterdam is a city that has everything... specially surprises.

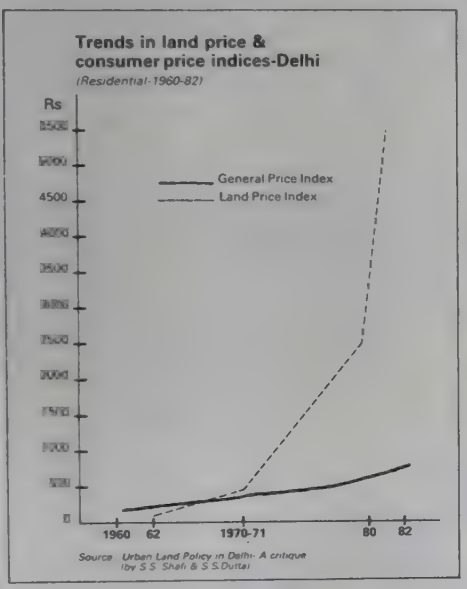
Take the silk route to Amsterdam on Thai.
Non-stop early morning on Mondays and Fridays.
The Royal Orchid Service is just part of the Dutch experience.

Thai
Smooth as silk.

buyer, the value of whose asset increases."

According to Gupta, the cost of building a good quality flat fitted with modern amenities is no more than Rs. 145-150 per sq ft exclusive of the cost of land in Bombay, and between Rs. 180-250 per sq ft inclusive of land costs in most urban areas. Thus, at a rough calculation, builders rake in a profit of between Rs. 70-550 per sq ft of built-up area, which for a flat admeasuring Rs. 600 per sq ft could be as much as Rs. 3.3 lakhs. Since such windfall profits in the hands of the builders are subject to heavy taxation, most builders demand a substantial part of the payment in unaccountable cash, notwithstanding the recent modifications in the income tax law pertaining to the acquisition of undervalued properties by the government.

In a random survey conducted by this



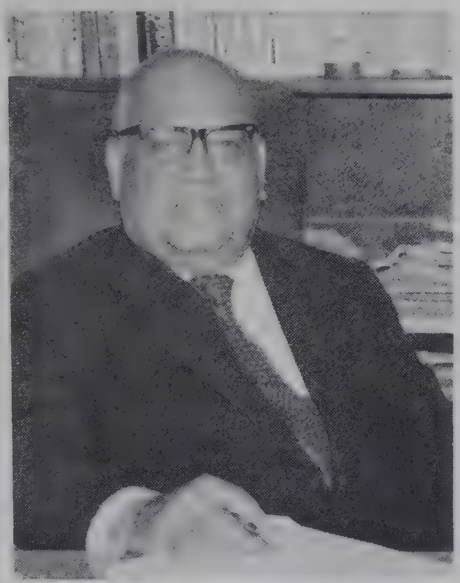
correspondent in Bombay in April, approximately 30% of the price of a flat was demanded in cash by most builders. Given that approximately 30,000 housing units are constructed in Bombay each year, of which 10,000 are *pucca* buildings with all the basic amenities, a very modest estimate of the quantum of black money generated each year from the sale of new flats in Bombay alone is a staggering Rs. 60 crores per annum.

Yet, even as the government has frozen the supply of land by enacting an ill-considered Urban Land Ceiling Act, which has pushed housing prices through the roof, the state governments' adamant refusal to rationalise the archaic rent control laws in most states has had an equally devastating effect on the supply of rental housing in most cities in the country.

Bombay city was the first to legislate a Rent Control Act in 1918, which sought to prevent landlords from capitalising on the scarcity of housing during the First World War period. The law was amended again during the Second World War (1939) and finally in 1940, in which form it remains to date.

FROZEN RENTS

Other cities quickly followed suit with similar rent control legislation, all of which seek to peg the annual rental value of a flat or house to a certain percentage of its purchase price, varying between 6%-8%. Since the rent control enactments of most cities have remained unchanged since they were first introduced in the forties and fifties, rents have remained frozen at levels of the forties and fifties, while maintenance costs, municipal taxes, etc., have escalated sharply and currently aggregate to more than the



Harish: archaic rent laws

rents derived from the properties constructed during that period.

According to the NBO survey referred to earlier, over 70% of all urban citizens reside in rented premises, though only a third of them live in premises which are within the ambit of the rent control laws — this because landlords have devised ways of circumventing the laws. Yet, 18%-20% of these urban residents who are protected by rent laws, are by and large individuals and corporations with considerable power and influence, which they have consistently used to abort any attempt to modify rent laws or raise rents.

According to sources in the Bombay Property Owners Association who do not wish to be identified, the listed names of the city's cognoscenti, including politicians, doctors, lawyers, journalists and senior business executives who live in rent controlled premises and pay 'old rents,' run into the thousands. The list includes Kanti Desai who, together with his father, former prime minister Morarji Desai, lives in a large rented apartment in the plush Marine Drive area of south Bombay, for which he pays a mere Rs. 280 per month as rent.

Comments D.M. Harish (64), a graduate in English literature and law of Bombay University and a well-known Bombay-based tax lawyer who specialises in rent law disputes: "The argument that the Rent Control Act as it exists in most cities in this country protects the poor tenant against the rich landlord does not bear scrutiny. In most cases, the tenant is about as well off as the landlord, if not more so, and can easily afford to pay higher rentals. Successive committees appointed by several state governments have recommended that more realistic laws in relation to rents are urgently needed. Yet these governments have done nothing to amend the archaic rent laws."

Somewhat paradoxically, Tamil Nadu, which in other respects is no trail blazer, is the only state in the country to have exempted premises with rental values above Rs. 400 per month from the ambit of the Rent Control Act in Madras city, which perhaps explains why Madras is one city where rented housing is easily available. Yet, other state governments have rigidly refused to do likewise.

In the meanwhile, the prevailing negative rates of return on rented properties have resulted in widespread neglect of the existing housing stock, even as newly constructed properties purchased for investment are simply left untenanted. An estimated 1,00,000 flats are currently unoccupied in Greater Bombay and as many as 32,000 buildings (1,50,000 flats) are in a dangerous state of disrepair. Though figures for other cities are not readily available, even a cursory examination of the quality of the housing stock of Calcutta and Madras indicates that they must be large.

DISASTROUS EFFECT

Yet, in relation to the admittedly grave consequences of urban land ceiling and rent control laws, the conspicuous absence of a national policy of balanced urban and rural development has had a far more disastrous effect in accentuating the urban housing shortage. Most Indian cities have become magnets attracting massive distress migration from rural areas, and city populations have been expanding at a staggering 4%-7% per annum. However, the major metropolises are no longer the fastest

Once in 35 years comes



A RARE OPPORTUNITY

ISSUE OPENS:

For Non-resident Indians:
Thursday 5th June, 1986.

For Indian Public:
Monday 16th June, 1986

n offer like this!



ISSUE OF
28,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 2/- per share

LINKED TO
5,60,000 15% Secured Redeemable Non-Convertible debentures of Rs. 100/- each for cash at par.

Here's a chance of a lifetime.

A chance to have immediate capital appreciation, plus good future earning prospects. The linked issue of debentures assures you a safe, sound, steady return.

Read this carefully. Then decide.

Advani-Oerlikon is an established company with a base in all growth-based industries. A multi-locational, multi-product company with an excellent track record. A market leader in welding consumables, equipment and systems.

The company is also the largest exporter of welding products from India, with a 60% share of Indian welding exports. Besides welding products, Advani-Oerlikon has diversified into many high-profit lines of the future, like industrial electronics, rotary prime-movers, renewable energy systems and office efficiency products.

There are three full-fledged R&D Centres, where advanced research is being conducted into such high-potential fields as electronics, semiconductor devices, laser technology and micro-computer systems.

Advani-Oerlikon is a good dividend-paying company. 5 liberal bonus issues have been made in the last 20 years. As against a book value of Rs. 34.78 per share, the Rs. 10/- share is being offered at a premium of Rs. 2/- i.e. Rs. 12/- per share — a good chance for capital appreciation.

The financial strength is sound. Reserves and Surplus after the issue will be Rs. 10.97 crores.

There will be improved liquidity after the issue, without a corresponding interest burden.

Profit after tax will show a marked improvement because of reduction in the company's tax rates. The linked issue of debentures provides a fully secured investment with interest at 15% per annum, plus premium of 5% on redemption. To help in tax planning, there is a choice of 6 monthly interest, as well as cumulative interest schemes.

ISSUE HIGHLIGHTS

- **Collaboration with world-renowned Oerlikon-Buhrle group of Switzerland with equity participation since 1951.**
- **Known as "Welders to the Nation". Market leaders for over 30 years with diversified products. Recently the Company signed three West German technology tie-ups with leaders in welding systems: Deuzer, Kroeger, and W. Rick.**
- **Excellent track record. Good dividend paying Company. Five liberal Bonus issues in last 20 years.**
- **Current book value of Rs. 10 share: Rs. 34.78.**
- **Net worth has doubled in five years.**
- **Easy liquidity. Listing at Bombay, Madras and Ahmedabad stock exchanges.**
- **Promoters' dilution with assured growth and reward scenario.**

ADVANI-OERLIKON

ADVANI-OERLIKON LIMITED
Ador House, 6, K. Dubash Marg.
BOMBAY-400 023.

Managers to the Issue:

STATE BANK OF INDIA
Merchant Banking Division

BANK OF INDIA
Merchant Banking Department

Co-Managers to the Issue:

BANK OF BARODA
Merchant Banking Division

AQUARIUS/AO/13/86

BusinessWorld
May 26 - June 8 1986

growing Indian cities — growth rates of Madras, Bombay, Calcutta and Delhi average 5% per annum. The populations of second-rung cities such as Bangalore, Hyderabad, Pune, etc., are growing at between 6%-7% per annum.

The consequences of this heavy influx of the rural poor into the cities is by now well known: over 40% of all urban populations are made up of slum dwellers. In cities such as Bombay — which at the turn of the 20th century counted a population of only 8,00,000 residents — over 4.5 million people or over 50% of the total population lives in slums and on pavements currently. In Delhi, the slum population is growing at the rate of over 10% per annum, and in Calcutta, slum settlements are so pervasive that even the most exclusive residential areas are surrounded by shanties.

Clearly, it is unrealistic to expect the government to subsidise the housing costs of the urban poor, given the magnitude of the resources required. Consequently, the only option open to the government is to provide massive sites and services enclaves for the poor. For such a scheme to work, sites must be located within reasonable distances of the places of work of slum dwellers, but this is precisely what makes the opportunity cost of such land very high.

Comments Munjee, quoted earlier, "We have yet to find a meaningful and feasible solution to the problem of housing slum dwellers. The provision of sites on long lease to slum residents under a sites and services scheme involves large state subsidies,and is also unworkable in practice because slum dwellers sub-lease the land if the differential between the cost to them and the market value is high. The one solution that has not yet been tried is to provide sites and services at the source of migration itself, i.e. in the villages. It is a little known fact that most people who migrate to cities do not have houses to live in in the villages from which they originate, so being homeless in the city is nothing unusual for them. Sites and services schemes in the villages will not only be less expensive, but since there is unlikely to be a big differential between the cost of acquisition of land and its market value, there will be little incentive to sub-let or re-lease land. The problem is of course to provide jobs in the villages, but this is a more easily soluble problem than providing houses in the cities."

Yet, notwithstanding a new mood of activism within the ministry of urban development, anything even faintly resembling an integrated policy of urban and rural development is nowhere on the horizon. Quite obviously, within the new philosophy and ideology of the Rajiv Gandhi administration, the division of India into two separate and increasingly less interlinked social segments (and realities) is proceeding apace and is, almost by design, destined to continue.



Munjee: untried solution



Correa: squatter population growth

'Clearly, it is unrealistic to expect the government to subsidise the housing costs of the urban poor, given the magnitude of the resources required. Consequently, the only option open to the government is to provide massive sites and services enclaves for the poor'

ALTERED IMAGE

But within urban India, the poor cannot be so easily relegated into the unconscious. By the turn of the century, most of India's major metropolises will consist of over 75% of slum dwellers and only 25% of their populations will reside in skyscraper-type of accommodation. Thus the very image of the Indian city is likely to be altered into one of vast slums, with populations of 10-15 million.Charles Correa, the noted Bombay-based architect,and the man who is credited with conceiving the idea of a twin city across the harbour for Bombay, writes in a recently published monograph, "Consider the case of Bombay. 20 years ago squatters were less than 400,000 in a population of 4.5 million. Today they are almost 4.5 million in a population of 9 million. Thus while the nation has grown by 50%, and the city by 100%, the squatters have increased more than 1,100%."

Thus the already appalling urban housing scenario is almost certain to deteriorate. Against this backdrop, the urgency of corrective measures within the framework of a broad national housing policy does not need reiteration. And at the first level, many of the required solutions are well known and obvious: (a) increasing the supply of land in urban areas; (b) modifying the rent control legislation so that new buildings fall outside its purview for a specified period of years, and permitting rents of old buildings to be pegged at realistic levels which bear some relationship to their market value; and (c) promoting additional housing finance institutions modelled on Britain's building societies, which can at least make a beginning towards meeting the finance needs of the housing sector.

Let us take the last of these requirements first. According to a Federation of Indian Chambers of Commerce and Industry (FICCI) estimate, a stupendous sum

of Rs. 54,000 crores is required to eliminate the current housing shortage of 25 million units (as officially estimated), and almost Rs. 75,000 crores would have to be spent between now and 2000 AD in order to attain the goal of shelter for all. Perhaps twice as much would be required to meet the needs of those who live in inadequate housing in addition to the even more urgent needs of the unhoused.

These magnitudes are so large that no developing nation can hope to marshal such resources. Evidently then, if these targets have to be met, they can only be met out of the savings of the citizenry. Yet, because the government has virtually prevented the nationalised banks — the main repositories of the citizens' savings — from financing house purchases, almost all housing construction in the country is today financed out of savings which an individual or firm is able to marshal at any given time. Thus, those who have not accumulated the requisite savings are excluded from the housing market.

Clearly, unless housing finance companies, which specifically mobilise savings for home construction, are promoted on a large scale, a majority of those who can afford to buy a house — as measured in terms of ability to service borrowings for the purchase of a house — will be left out. Most developed and even some developing nations have created a plethora of financial institutions which specifically provide housing finance. In the US, for instance, a majority of individuals receive loans of up to 95% of the value of the house they buy, repayable over a 30-40 year period at relatively low rates of tax deductible interest (7%-12%) from mortgage finance companies.

SAVINGS POOL

In Europe, the concept of the housing or building society is more popular. Under this system, individuals become members of a housing society and contribute monthly payments to a savings pool, which is then used to finance the purchase of houses, one at a time. The house is then allotted to one of the members by lottery and this member continues to pay instalments into the pool till the value of his or her house has been paid. As contributions accumulate again, another home is purchased and allotted. The advantage of this concept is that interest costs — which over a 15-20 year repayment period could otherwise exceed the value of the property itself — are minimal, between 2%-4%. In countries such as Singapore and Hong Kong, all citizens are compelled to save as much as 30% of their salaries, which

Luxury housing boom

The increasing division of India into two distinct economic realities, one of the affluent and the other of the poor, is perhaps nowhere as clearly manifest as in the housing sector of the economy. Thus, even as the urban and rural housing crises intensify, in substantial measure because the supposedly socialist urban land ceiling laws have pushed real estate prices beyond the affordability of not only the poor but the middle classes as well, a whole new market for luxury housing has sprung up within the country during the last five years. The most recent examples are the luxury housing complexes now under construction on the



Nensey: second house option

Delhi-Haryana border where a small handful of new-style builders are metamorphosing over 16,000 acres of hitherto barren land into huge colonies of luxury apartments which will eventually accommodate over half a million people.

These builders, whose companies sport such trendy names as DLF Builders and Unitech Builders Ltd., to name only two, offer exorbitantly priced (Rs. 800-1,000 per sq ft) luxury flats on relatively easy payment schedules, indicating the relatively big profit margins for which they have budgeted. But unlike the market for housing in general, the luxury housing market is not localised. Glossy advertisements in magazines and dailies for the international class luxury houses solicit buyers from all over the country and overseas as well.

Western concepts. There are also other characteristics of the nationwide luxury housing market that are significant. Apart from the fact that the high visibility marketing of luxury houses virtually guarantees above-the-table financial transactions, builders of luxury houses have pioneered such typically western concepts as the condominium — fully furnished and equipped flats — and landscaped housing societies with a range of in-built facilities such as swimming pools and closed circuit television.

Comments Amir A. Nensey (39), managing director of the Bombay-based Amir Construction & Motel Pvt. Ltd. which is emerging as a big name in the luxury housing business in western India: "India's metropolitan cities are so congested and poorly maintained that an increasing number of people feel the need for a residence outside the city, away from the noise and bustle. In fact, we have reached a stage where owning a second house in the hills or in quieter outer city environs is no longer considered a luxury. And you'd be surprised at the number of people who can afford to buy a second holiday home today." Nensey has recently launched a massive advertising campaign to market condominium-type holiday homes located near Yesday village, 125 km south of Bombay on the Bombay-Goa highway, and claims that the response to the campaign has been "encouraging."

Yet, the emergence of a luxury housing market is worrisome, because it has demonstrated that with aggressive marketing, prices can be pushed beyond the already exorbitant levels. For instance, most of the new colonies sprouting around Delhi offer flats priced well above Rs. 4 lakhs for about 1,000 sq ft which, given that the land was acquired for these colonies at virtually throwaway prices of between Rs. 20-30 per sq metre *cf.* Rs.3,500-4,000 per sq metre in the metropolitan area, means that builders' profits must be astronomical.

In the final analysis, however, this is yet another manifestation of irrational land control policies, which have had the effect of pushing up the floor prices of land, and creating a large speculative market in real estate. The logical outcome of such policies is the emergence of a high value luxury housing market in which investment in housing is almost wholly divorced from need.

NOW FROM INDAL

An excellent investment opportunity

Rs. 20 crores of 15% Rights Debentures

ISSUE OPEN FROM
5 May to 7 June 1986

Secured Redeemable Non-Convertible

This is what your money earns

15% interest per annum. From the day your application money is realised. Even on application money which may be ultimately refunded for reasons of over-subscription.

Thereafter, the interest on your allotted Debentures will reach you every six months. Automatically.

INDAL will review the rate of interest if the Government announces higher interest rates or any other benefits for Non-Convertible Debentures.

Complete security with guaranteed liquidity

These are fully secured Debentures. Which means that the interest, the principal and the redemption premia are fully secured by a first charge on INDAL's assets.

After earning 15% each year for 7 years, you receive your entire investment back. Plus a redemption premium of Rs. 5 per Debenture of Rs. 100.

To provide for redemption, INDAL will create a Debenture Redemption Reserve.

During these 7 years the Debentures can be freely bought and sold on the Calcutta and Bombay Stock Exchanges.

Also, INDAL offers a guaranteed Buy-back scheme: For those who have invested up to Rs. 40,000 and have held the Debentures for a continuous period of at least one year. And the buy-back is at par. Which is like keeping your money in a Current Account and also earning 15% on it.

Backed by INDAL's proven strengths

INDAL has access to state-of-the-art technology in aluminium—through its principal shareholder, ALCAN—the world's largest aluminium company.

INDAL has an impeccable record of uninterrupted dividends for 41 years.

INDAL Shareholders' fund of Rs. 69.8 crores includes bonus shares for Rs. 15.8 crores and reserves of Rs. 37.3 crores.

And now, a look at INDAL's 1985 **Financial Highlights**

Gross Block	**Rs. 157.5 crores**
Turnover	**Rs. 236.8 crores**
Value Added	**Rs. 62.6 crores**
Profit before Depreciation, Interest, Tax	**Rs. 27.0 crores**
Interest cover	**3.8 times**
Profit after Tax	**Rs. 11.4 crores**
Equity and Reserves	**Rs. 69.8 crores***

*Which is 3.6 times of Secured Term Debts

The Company has not revalued its fixed assets or capitalised future interest costs into assets.

INDAL

Indian Aluminium Company, Limited
1 Middleton Street
Calcutta 700 071

CONTAD/1/86/4

New thinking in HUDCO

A new temper of change is sweeping through the corridors of the red-brick building which the Housing & Urban Development Corporation Ltd. (HUDCO), the apex organisation in the building sector, occupies in New Delhi. Indeed, the signs that there is a new awareness among policymakers, administrators, implementing agencies and planners of the need to urgently provide affordable shelters for the growing number of homeless, is unmistakable. Quite naturally, HUDCO, which was incorporated in 1970-71 to formulate and execute the country's housing drive, is beginning to flex its muscles in more ways than one.

One indicator of HUDCO's attempts to cope with the acute scarcity of housing units in the country is the steep rise in the sheer number of schemes undertaken by this techno-financial public sector organisation. As S.K. Sharma (52), chairman and managing director of HUDCO who has been with the organisation for just over a year now, explains, "From 19 schemes in 1971-72, our first year of operations, HUDCO had initiated as many as 163 schemes by 1975-76. By the turn of the decade, this number had more than doubled to touch 346 by 1980-81." Indeed, the activities of HUDCO have kept snowballing with the number of projects promoted touching 677 at the end of fiscal 1984-85.

Moreover, unlike other such organisations which merely record higher sanctions but fail to match disbursements with sanctions, HUDCO has an impressive disbursement record as well. Despite a perceptible slowdown in the seventies, when disbursements rarely crossed 50% of sanctions, the last three years have witnessed a dramatic upswing. While in 1983-84 Rs. 149.11 crores out of Rs. 283.93 crores sanctioned were disbursed, in the very next year Rs. 199.81 crores were disbursed out of the Rs. 352.88 crores sanctioned.

Affordability emphasis. It is also a particular characteristic of HUDCO's operations that it has concentrated its energies in housing the weakest sections of society. As Sharma points out, a significant percentage of both the urban and rural poor live in the most wretched conditions. "In the light of this, HUDCO has concentrated on a strategy of providing shelter within the affordability of individual beneficiaries, with an emphasis on maximising the coverage for a given amount of investment," says Sharma.

Naturally, despite an overwhelming urban bias in the first six years of HUDCO's operations (not a single unit was built in a rural location until 1977-78), fund flows are in exactly the reverse direction now. For example, in the period from 1980-81 to 1983-84, while the number of dwelling units financed in the urban areas remained stagnant at under 1,20,000 per annum, the number of rural units rose from 1,50,000 to over 2,00,000.



Sharma: affordability criterion

Likewise, out of a total of 3,18,837 units built in 1984-85, 1,76,128 were in non-urban areas and over 88% of the housing loans sanctioned were for families with monthly incomes of less than Rs. 600. "Keeping in view the importance and the potential of rural housing, we have proposed that a subsidiary company be promoted to exclusively cater to the needs of such areas," says Sharma.

However, despite these impressive numerical quotients, the fact that the reach of HUDCO is limited — since the state level housing agencies are the main implementers of the actual housing construction activities — has begun to agitate the pool of talented specialists at HUDCO. As Mulkh Raj (46), the economic and financial advisor at HUDCO, bluntly puts it, "With all good intentions, the formal housing efforts in this country have evolved into a self-defeating organism that must be restructured radically."

The top brass at HUDCO is well aware that the multiplicity of agencies together with the proliferation of service institutions has led to utter chaos, as well as much duplication of tasks in the formal housing development sector. Instead, it is the informal sector which still dominates the construction industry. As Raj points out, "Over 1.2 million units are added to the housing stock every year, yet no more than 35,000 units per annum have been built in the last 30 years by the institutions to which funds were made available in the plans."

Users choice. Therefore, experts at HUDCO are veering around to the view that the effort of the formal sector should be to provide serviced or unserviced residential sites, title to that land, and building materials; to give financial and technical support; and to promote the integration of housing with employment and income opportunities. "The actual construction, improvement and conservation of the built-up environs should be the users' choice," argues Mulkh Raj.

Consequently, a process of change, which in a public sector enterprise often becomes a self-generating force, appears to have been set into motion at HUDCO. Although it is as yet unclear what the mandarins of government think of such ideas, it is likely that HUDCO is going to move into more unconventional housing projects. Some of these unthinkable areas include land acquisition, repair and reconstruction and to provide the working capital requirements of major borrowers. "We are not constructing houses today, we are cultivating them. It is not urban development but human settlement activity that we are going into," claims Mulkh Raj. In consonance with this approach, the consultancy services available at HUDCO are being thoroughly revamped.

In time, it is on the cards that the HUDCO way of allowing market forces to cope with the housing problem with all the infrastructural tasks alone being performed by the state agencies will become a model for all developing countries to emulate. With the wealth of human skills it has built up over the years at its disposal, no one can deny that HUDCO has not only discharged its role, but has also paved the way in allowing fresh ideas to find expression. With 1987 being designated the international year of shelter for the homeless, HUDCO seems determined to pressurise a fresh look at the problem ridden housing sector.

savings are then used by state owned companies to build massive housing estates for residents.

But institutional finance for housing in India is as yet a wholly underdeveloped area. Currently, the Life Insurance Corporation of India Ltd. (LIC), the General Insurance Corporation of India Ltd. (GIC), the UTI, the public sector Housing & Urban Development Co. Ltd. (HUDCO), and more recently, private sector companies such as HDFC and Dewan Housing Development Finance Co. Ltd. are the only sources of institutional finance in the country. The LIC, GIC and UTI are the largest amongst these, but they channel funds to the government, to HUDCO, and to several apex level housing finance companies such as the Maharashtra Cooperative Housing Finance Ltd. LIC's cumulative loans to all borrowers for housing purposes aggregates to a mere Rs. 870 crores (as on 31st March 1986). The private sector HDFC has



Velhankar: foreign loans option

sanctioned loans of approximately Rs. 544 crores to date, while HUDCO has pumped in a more substantial Rs. 2,475 crores. Yet, institutional finance for housing constitutes a small fraction of all investment in housing.

There are several unsolved problems which prevent the rapid spread of housing finance companies. Comments Parekh, quoted earlier, "The costs of housing finance are too high today. The HDFC charges borrowers between 12.5% to 14.5% *cf.* the 9% real rate of interest on commercial loans in the US today. This is because our cost of borrowing is high — 12% on the average. As long as there are adequate avenues for the citizens' savings which yield rates of interest above 12%, housing finance companies are unlikely to be able to mobilise enough deposits to meet their lending needs. The only way out of the high interest trap is for prospective house buyers to save in a specific housing loan linked scheme such as we now offer. The returns are lower in such a scheme, but so is the cost of borrowing."

'Given the multiplier effect of investments in housing, the fear that a larger allocation to the housing sector will necessarily reduce outlays on the industrial and infrastructural sectors is invalid'

One way out of the housing finance crunch, according to S.V. Velhankar (35), finance manager of the Bombay-based Dewan Housing Finance Ltd. (loans disbursed: Rs. 2.4 crores as on 31st March 1986), is to tap foreign currency funds for housing purposes in India which can be done provided the government stands surety for such funds and makes an equivalent amount of rupees available to the Indian borrower. "We have only begun to tap this market now, but the potential is vast. The cost of such borrowings is not more than 12% per annum, and they are available against long repayment periods. The government can also use such foreign currency funds to finance export operations and other overseas investments, so that funds can be doubly productive," says Velhankar.

But before these mechanisms can be put to use, a large number of housing finance companies will need to be promoted, and both builders and housing finance companies must be permitted to draw on the pool of savings mobilised by the nationalised banks. This must be the first step. Yet, despite the recommendations of the Union ministry of urban development, the Reserve Bank of India and the finance ministry have resisted the move to designate housing construction as an industry and thereby give it access to bank funds.

MAJOR FILLIP

Certainly, designating the housing construction business as an industry is long overdue. Should this be done, not only will the housing construction business receive a major fillip, but the downstream effects on the economy as a whole could be substantial. India currently spends a little over 2.4% of its GNP on housing *cf.* 6%-7% in the more developed countries. The low priority accorded to housing is based on the notion that long-term economic growth is more effectively ensured if investment is canalised into productive capital such as plant and machinery in industry rather than into unproductive capital such as housing.

Yet, it is arguable that the most rapidly growing and diverse economies are more likely to be the ones which expend a larger share of their GNPS on housing — Singapore, South Korea and the Soviet Union, to name a few. Indeed, in Singapore's case, there is a close correlation between a slowdown in the construction sector — as a result of saturated demand — and the overall decline in economic rates of growth since the eighties.

Given the multiplier effect of investments in housing, the fear that a larger allocation to the housing sector will necessarily reduce outlays on the industrial and infrastructural sectors is invalid.

Indeed, these are familiar arguments, of which the ministry of urban development is not unaware. Yet it is a measure of the somewhat schizophrenic perspectives of this agency that it does not monitor the number of housing starts which are key indicators of the health of an economy and at any given time, it is completely innocent of the intensity of activity within the indigenous construction sector.

It is thus evident that unless there is a sea-change in attitudes within the governmental apparatus, the housing sector is likely to be a target of empty socialistic rhetoric and policy tinkering. But the new mandarins in New Delhi must realise that time is running short and as India emerges as an increasingly urban society, the costs of neglecting the urban and rural housing sector will be high. The writing — in big bold letters — is already on the wall. And unless solutions are found rapidly — even sub-optimal solutions are better than the elusive search for the grand solution — the march into the 21st century may well become a descent into urban wastelands in which life for all citizens is likely to become nasty, brutal and short. BW

LETTER FROM TOKYO — JUREK MARTIN

Uncomfortable summit

It is frequently misleading and sometimes downright wrong to apply western logic to Japanese situations. Clear-cut concepts elsewhere, such as success or failure, may be interpreted differently in Japan.

Moreover, the Japanese assessment of the summit meeting in Tokyo of the top industrialised countries, which ended on 6th May, will not be forthcoming immediately. It will certainly not be publicly aired before all the foreign heads of government have left Japan and may even take further time to evolve.

Critical embarrassments. These important caveats aside, it is hard not to avoid the conclusion that playing host has not been the unmitigated blessing that Japan, and especially its prime minister Yasuhiro Nakasone, had reason to expect. The thrust of Japanese press and political comment over the last 24 hours after the summit was that Nakasone had come up shorthanded. His co-summitteers admired his chairmanship but the crude analysis is that Nakasone has been embarrassed at home in three critical respects.

The rocket attacks and subway fires set off by a small group of left-wing radicals may not have hurt anyone, but they did reflect badly on the forces of law and order and the government which he heads.

Japan did not succeed in getting the US to agree that the dollar has fallen enough, nor was any short-term solution to exchange rate instability forthcoming. On the last day of the summit the yen gained appreciably against the US currency.

By being obliged to identify Libya by name in the anti-terrorism declaration, Japan may have put at risk its traditional policy of neutrality in West Asia, a vitally important economic region.

In the margins, if not the fine print, of the summit there were other causes for concern; western governments may not have dwelled on Japan's surpluses in detail, but they did pointedly expect Nakasone to implement the Maekawa report on economic restructuring.

One visiting minister in analysing the US proposals for more managed floating exchange rates, said they were much more directed at Japan than the other great surplus country, West Germany.

If there was consolation for Nakasone, it is that neither of the principal candidates for his job fared much better. Noboru Takeshita, the finance minister, is similarly saddled with a high yen, while Shintaro Abe, the foreign minister, was put in the uncomfortable position of having to explain in public the decision on Libya, which he and his ministry are thought to dislike.

The original Japanese hope had been that the summit should be an exercise in largely uncontroversial economic policy making, additionally designed, at least in part, to avoid too much discussion of the Japanese surpluses.

Extraneous political events—the US raid on Libya and the Soviet nuclear disaster—had already transformed the summit before it convened. So, it transpired had the momentum for a new exchange rate regime carried over from the IMF meeting in Washington last month.

Nakasone thus probably never had any choice but to be moved by the tide. British officials even commended his ability, as chairman, to recognise this reality and to make the sort of executive decisions as chairman that Japanese are supposed not to relish tackling.

The immediate internal issue in front of Nakasone is whether or not to call a general election within the next few weeks. Before the summit, it had appeared that he was gaining the upper hand over those inside his own ruling party who did not want to give him the satisfaction of leading the party into victory.

Strange logic. But the curious perversity of Japanese politics is that the summit may in reality never have been a determining factor in his political future. It has always been in the power of the ruling Liberal Democratic Party to ditch the prime minister, regardless of what happened at the summit. It would have been perfectly capable of riding a summit triumph into a smashing general election victory and then for totally different reasons, casting Nakasone aside in the autumn. By the same strange logic, the reverse could also be true.

SOVIET UNION

Chernobyl questions

Neptunium was the clue which told the Swedes on 28th April that the radiation drifting across their country had come from an accident in a reactor rather than from a nuclear weapon test. Neptunium is a short-lived step in the transmutation of uranium into plutonium, something that takes place in every reactor fuelled with uranium.

After initial denials that anything was wrong, Moscow was obliged to admit that there had been an accident to a reactor at Chernobyl, north of Kiev in the Ukraine. Radiation released had been blowing north-west towards Finland and Sweden and, by 29th April, was drifting away to the north of Norway.

By the morning of 29th April, the full horror was beginning to emerge. The Russians asked first the Swedes then the West Germans for help in fighting a fire at Chernobyl. The Swedes already knew that the radiation they were receiving contained a full spectrum of nuclear fuel ingredients, including uranium, which suggested a very hot fire.

The fuel at Chernobyl is a ceramic, uranium oxide, with a melting point of the order of 2,865°C. It has been fused and then vaporised by a barbeque of thousands of tonnes of blazing graphite (known as the moderator) forming the core of the reactor. No one in the world, so far as is known, has experience of fighting a nuclear fire of this ferocity.

Chernobyl is the site of four units of a type of reactor unique to the Soviet Union, designed originally as a dual purpose reactor to produce plutonium for nuclear weapons as well as electricity. This reactor is known as the RBMK, which stands for a water-cooled, graphite-moderated system.

Serious accident. The PWR is the dominant reactor in the West and the reactor of choice among developing nations. Britain has taken the Westinghouse version of this reactor as the basis of its "British PWR" design proposed for Sizewell in Suffolk. But the PWR has also suffered a serious meltdown accident at Three Mile Island in 1979, although no one was injured physically by it.

The presidential commission which

investigated this accident concluded that "while equipment failures initiated the event, the fundamental cause of the accident was 'operator error.' " It pointed out that, had the operators maintained emergency core cooling throughout the early stages of the accident, it would have been merely "a relatively insignificant incident." Instead, seven years later, they are still trying to clean up the radioactive mess.

The RBMK owes its origins to the US plutonium production reactors built at Hanford in the far west of the US during the Second World War. They comprised a massive pile of graphite penetrated by rods of uranium, to be transmitted by nuclear fission into plutonium. The whole edifice was cooled by the Columbia river; cold, clear water that flowed through a network of cooling channels in the core.

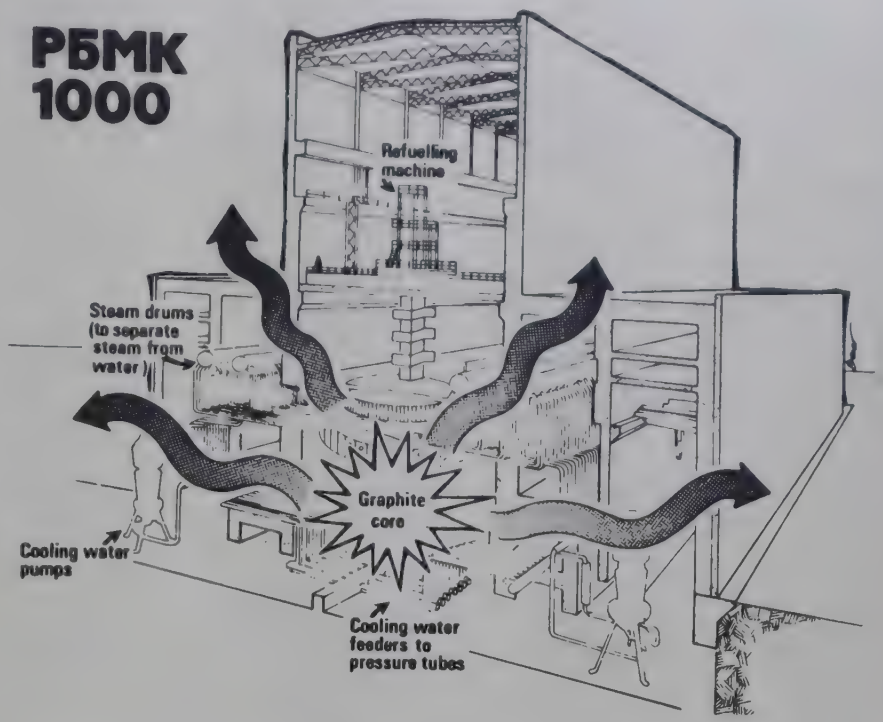
When, after the war, Britain sought to make its own plutonium, it was concluded that this reactor concept was too risky for anywhere on a congested island closer than the Western Isles of Scotland. The military authorities settled instead for an air-cooled graphite-moderated design of plutonium "pile," at Windscale in Cumbria. Ironically, it was one of these piles which suffered the first major nuclear accident when its graphite overheated and set fire to 40 tonnes of uranium in 1957.

The Soviet progenitor of the RBMK is the 5 Mw Obninsk reactor, claimed by the Russians as the world's first nuclear power station. It was coupled to the Moscow grid in June 1954, a year before the UK's much bigger Calder Hall station produced power.

Over the next three decades, the Russians developed their Obninsk reactor in a series of steps—100, 200, then 1,000 Mw. They have built at least 14 RBMK-1,000 units, first near Leningrad, then at Kursk, Chernobyl and Smolensk. They have also commissioned the first RBMK-1,500 at Ignalina, and talked of plans to expand to a 2,400 Mw unit.

Two arms. The Soviet Union, from the fifties, planned two arms to its nuclear power programme, one based on Obninsk and the RBMK, and the other on the Russian version of the pressurised water reactor developed initially for its nuclear submarine programme. The two arms were intended to advance in step, but the Russians evidently found the RBMK easier to manufacture, and it drew ahead in installed nuclear capacity. The PWR is now catching up.

But the RBMK is a modular system, in which the high-pressure core of the reactor is sub-divided into a large number of relatively small pressure tubes, instead of a single big pressure vessel, as in the PWR. The modular design gives the RBMK a high degree of flexibility as a plutonium production reactor.



Cross-section of Chernobyl plant: closely guarded technical data

To make the purest plutonium, the easiest kind from which to make nuclear weapons, uranium is "cooked" in the nuclear furnace for only a matter of weeks. The modular design allows each pressure tube to be tapped for plutonium independently. Such a reactor can be operated to produce optimum amounts of plutonium or power, or for some combination of the two outputs.

This facility for making pure plutonium had one important consequence for Russian nuclear policy. As a founder-member of the International Atomic Energy Agency (IAEA), along with Britain and the US, the Soviet Union was always staunchly in favour of discouraging the proliferation of nuclear weapons.

Its export policy for nuclear reactors permitted the sale overseas of its PWRs, both to East European countries and (in the case of Finland and Cuba) further afield. But it forbade the export of the RBMK.

Not only has the RBMK not been exported, the Russians have not been very forthcoming with technical data about their design. Moreover, when in 1984 they were discussing opening their nuclear plants for the first time to safeguard inspectors from the IAEA, they made it clear to the chief safeguard inspector that he would not get access to the RBMK.

A decade ago, however, when Britain was discussing the design of a commercial pressure tube type of reactor called the steam generating heavy water reactor (SGHWR), a team of British nuclear engineers led by Jim Stewart and Ron Campbell visited the Leningrad RBMK-1,000 reactors.

Identical conditions. Campbell, now managing director of Babcock Power, then concluded that the RBMK was "more similar to SGHWR than is any other reactor," the only major difference being that graphite is used instead of heavy water as the moderator. Otherwise, operating conditions for the primary reactor circuit were almost identical. The tubes and fuel cladding are made of zirconium; the fuel itself is uranium oxide, of about 2% enrichment.

In the RBMK, the pressure tubes, each containing a fuel assembly, pass vertically through a pile of graphite bricks. Pumps circulate pure water up through these tubes to carry away the heat of nuclear fission to the steam raising plant (see diagram). The two reactor types ran under almost identical conditions: 70 bar (atmospheric pressure) and 285°C.

In the event, Britain abandoned the SGHWR as too expensive to engineer

Breakthrough beyond expectations



Modi Continental R80 Nylon Car Tyre



Quite immodestly it's a breakthrough!

An Investment of Research

Crores of rupees of Modi Continental research has created R-80 — the state-of-the-art nylon car tyre.

To give you more

The R-80 premium is extra wide, giving you a surer grip.

The scientifically designed tread surface with 15% more non-skid depth, the seven zig zag shaped ribs and the width give you a road grip you've never known.

Beyond Expectation

Yes! It's a breakthrough beyond expectations. With better mileage than you ever thought was possible. Don't let technology pass you by. Change to R-80 — a footprint ahead of the rest.



OBM/10006

Modi Continental

DALMIA RESORTS INTERNATIONAL

It is hereby notified for the information of all applicants who applied for the purchase of property shares/holiday certificates in respect of the Dalmia Resorts International at Goa, Kodaikanal and Delhi and to GTC Industries Ltd, The Sree Meenakshi Mills Ltd and Dalmia Dairy Industries Ltd that the arrangements and agreements concluded between **American Express Bank Ltd** and GTC Industries Ltd, The Sree Meenakshi Mills Ltd and Dalmia Dairy Industries Ltd for deposit on Escrow Account the purchase consideration received from such applicants with **American Express Bank Ltd** and for the deposit in safe custody with **American Express Bank Ltd** of the title deeds to the land and building relating to the Dalmia Resorts International at Goa, Kodaikanal, Delhi have been terminated by mutual consent.

It is further notified that similar Escrow and Trusteeship arrangement has been entered into by GTC Industries Ltd, The Sree Meenakshi Mills Ltd and Dalmia Dairy Industries Ltd with **Canara Bank** (hereinafter referred to as "**the said nationalised Bank**")

It is further notified that a sum of Rs. 1,38,08,094.79 (Rupees One crore thirty eight lakhs eight thousand ninety four and seventynine paise only) Rs. 55,45,178.21 (Rupees Fiftyfive lakhs forty five thousand one hundred seventy eight and paise twentyone only) and Rs. 20,43,975.12 (Rupees Twenty lakhs fortythree thousand nine hundred seventy five and paise twelve only) being the balance amount lying in the Escrow Account of the Bank to the credit of GTC Industries Ltd, The Sree Meenakshi Mills Ltd and Dalmia Dairy Industries Ltd respectively has been/will be transferred by **American Express Bank Ltd** to the said nationalised bank.

If any purchaser who has already subscribed to the property shares or holiday certificates in the Dalmia Resorts International, Goa, Kodaikanal and Delhi, does not approve of the revised Escrow and custody arrangements entered into with the said nationalised Bank, he is hereby notified that he shall have the right to obtain a refund of the amount paid by him provided that he makes and delivers an application in writing to any of the addresses mentioned hereinafter not later than May 31, 1986.

1. **Dalmia Resorts International,**
65, Mittal Chambers, Nariman Point,
BOMBAY - 400 021.
2. **Dalmia Resorts International,**
206-207, BMC House, N Block,
Connaught Circus,
NEW DELHI - 110 001.
3. **Dalmia Resorts International,**
Hotel & Restaurants Consultants (P) Ltd,
D-6/7, IInd Floor,
Parsn Commercial Complex,
121, Mount Road,
MADRAS - 600 006
4. **Canara Bank,**
Marshal House, Parliament Street,
NEW DELHI - 110 001.
5. **GTC Industries Ltd,**
Tobacco House, S. V. Road,
Vile Parle (West),
BOMBAY - 400 056
6. **The Sree Meenakshi Mills Ltd,**
Tirupparankundram Road,
MADURAI - 625 003
7. **Dalmia Dairy Industries Ltd,**
11, ABC Atmaram House,
1, Tolstoy Marg,
NEW DELHI - 110 001

The application for refund must be signed by the same person or persons who have signed the original application for the purchase of the property shares or holiday certificates and such refund application must contain a reference to the date, name of the bank, the number of the cheque and the amount of the deposit. No claim for refund/losses will be entertained by **American Express Bank Ltd.**

For further details, please contact:

General Manager—Marketing
Dalmia Resorts International
206-207, BMC House,
N Block, Connaught Circus
NEW DELHI - 110 001

safely, compared with the alternatives of the British advanced gas-cooled reactor and the US PWR. To meet the safety standards set by these two, the SGHWR would have required an incredibly complex weave of pipework to ensure that every pressure tube could be provided with emergency core cooling if it should lose its main coolant supply.

Stewart, chairman of the British Nuclear Forum, says he believes the Russians had neglected to make the emergency cooling provisions demanded by the British nuclear inspectors. He also points out that a problem first encountered by the Americans at Hanford was how changes in the graphite pile through irradiation could crush tubes and choke off the flow of coolant.

Graphite when irradiated stores up energy to a point where it is spontaneously released—the so-called Wigner release. Britain learned to control its effects by regularly annealing the graphite in its earliest experiments. But it had not learned enough by 1957 to prevent the consequences of a Wigner release of energy setting fire to the graphite core of a Windscale pile.

The fire was finally extinguished by the decision of Windscale's director of operations to turn hosepipes on the inferno, at the risk of cracking the concrete box around the pile, and releasing a much bigger cloud of radiation. The alternative was to let the fire burn itself out.

Greater scale. Whatever the cause of the fire at Chernobyl, the scale appears to be much greater than Windscale. The fuel is a ceramic with a melting point close to 3,000°C. It must have melted for uranium to be falling upon Scandinavia. The reactor contains about 190 tonnes of this fuel, buried in 1,700 pressure tubes across the graphite core. It is reasonable to assume that there is already a substantial pool of molten fuel present—truly a reactor meltdown.

Boiling off this molten pool will be the plutonium (melting point only 640°C) and highly radioactive fission products; the detritus of nuclear power production.

The Russians were confident enough of the integrity of their reactor designs to use no pressure containment—in effect, a pressure vessel enveloping the entire primary circuit of a reactor—for many years to retain emissions in the event of a reactor accident. Not until they scaled up to 1,000 Mw PWRS did they introduce a containment for this reactor. They have never seen the need for a containment for the RBMK.

So only a relatively flimsy concrete box stands between the blazing reactor at Chernobyl and the rest of the world. Their policy is to site the big reactors 40-50 kilometres from major population centres. Those I spoke to on 29th April about the problem of fighting a major fire in such a reactor, expressed nothing but horror at the magnitude of the problem. No one had any ideas.

The Russians categorise a nuclear accident of the severity of this fire as a "maximum possible accident." Their safety precautions include arrangements for decontaminating anyone who may have picked up radiation on his clothing or skin (and a contaminated worker was found in Sweden on 28th April, 1,000 miles from the fire). They also include limiting the consumption of food that may have been contaminated. In particular, this means milk and dairy products from cattle which may be feeding on contaminated grass.

They also have arrangements for the distribution of iodine tablets, the only effective prophylactic measure against radiation which can be taken by mouth. The point of the iodine is to saturate the thyroid gland in the neck, repository of most of the body's iodine, and prevent it from absorbing radioactive iodine-I 31, an easily vaporised fission product released in a meltdown of nuclear fuel.

Hard questions. The most urgent priority must be to extinguish the Chernobyl fire by means that minimise any further damage. Then the international community will be asking hard questions of Moscow about its obligations to neighbouring states and why it tried to conceal an accident with manifestly far-reaching consequences. Even by the morning of 29th April—perhaps as long as three days after the outbreak—the IAEA in Vienna had been given no information beyond the bare fact that there was an accident.

For the Soviet Union itself, it raises the initial question whether the cause of the fire was a fault in design which might be repeated, such as a failure of coolant or one of the tubes, or an accident while fuel was being changed. The answer could have repercussions for an electricity supply system which gets perhaps 6%-7% from this one type of reactor, not to mention its role in nuclear weapons.

But the gravest question of all that Moscow must face is whether the kind of containment required in nuclear installations in the West could have prevented radiation from spreading so far from the fire.

David Fishlock
(By special arrangement with the Financial Times, London)

EGYPT

Tough times for Mubarak

The quick return of normalcy in Egypt after the week long paramilitary mutiny which began on 25th February and left at least 36 dead reveals both the strengths and weaknesses of the present-day Egyptian state. That the rebellion could be crushed firmly and fast by Hosni Mubarak vindicates the president's position of authority. The risk, on the other hand, is that dissension might go underground. Still waters run deep, after all, and the apparent *joie de vivre* of life in Cairo might serve to merely hide—and not eliminate—the basic causes which led to the recent eruption of rioting.

Meanwhile, it is almost life as usual in Cairo and other major Egyptian cities such as Aswan, Luxor and Alexandria. Almost, because tourists are not flocking to Egypt in their usual numbers this season. What with Egypt—and subsequently neighbouring Libya—in the news for wrong reasons, the holiday crowd is understandably seeking less volatile destinations. In particular, the inveterately high-spending American tourist is conspicuous by his absence.

The paucity of tourists is only the thin end of the wedge as far as Egypt's current economic woes are concerned. This year, as in 1985, its traditional sources of foreign currency—the Suez Canal revenues, tourism, oil sales and remittances from nationals working abroad — have shrunk. The country faces a serious balance of payments problem with its trade deficit running at a staggering US $7 billion, while foreign debt has piled up to a mind boggling US $33 billion.

With no ready alternatives to these traditional sources of foreign exchange, Egypt is in for a severe cash crisis. Boosting revenues is easier said than done in a country where only four per cent of the land is arable—the rest is pristine desert—and the manufacturing base is weak. And neither is it easy to cut government spending. Food and other subsidies account for 15 per cent of the government's budget and cost US $3 billion annually. A top-heavy and inefficient public sector—a legacy of Nasserite socialism—employs about 35 per cent of the workforce and is another burden on the budget.

Gloomy future. Predictably, foreign banks operating in Egypt face a gloomy future. According to unconfirmed reports, Chase Manhattan has decided to sell its share in a joint venture, Cairo Bank, and pull out of Egypt. Other foreign bankers have reportedly cut back their loan portfolios by 30 per cent because of the medium to long-term uncertainties facing them. "The question is how long we're prepared to ride out the bad times when we don't see good times ahead," says a Cairo-based British banker.

Foreign banks and their clientele are particularly jittery because the government has failed to produce a concrete economic plan. And this despite the induction last September of Dr. Aly Lutfi, a former finance minister and one of Egypt's most prominent economists, as prime minister. This was an astute move on the part of President Mubarak who thereby sought to convince the United States and other international lending agencies of Egypt's resolve to reform its economic systems.



Mubarak: fading image?

Thanks partly to the time honoured and deeply ingrained Egyptian tradition of shrugging off any inconvenience, inefficiency or other irritation or failing with the Arabic phrase *maalesh*, Mubarak's performance has not matched promise. There is no precise translation for *maalesh* into English, or any other language for that matter. In English it might be 'never mind' or 'don't worry,' in German *macht nichts* and in Hindi *jaane do*. *Maalesh* reflects the belief of many Egyptians in fatalism and in the inevitability of what is written in the stars. Many foreigners find the *maalesh* attitude incomprehensible—although Indians will probably not—and blame it for many of the social and economic ills of Egypt.

Despite the fact that the threshold level of tolerance is high in Egypt owing to the cushion effect of the *maalesh* factor, President Mubarak's image amongst his 48 million fellow citizens seems to be in danger of fading. Mubarak lacks the personal magnetism of Nasser or the flair and showmanship of Sadat. And unfortunately for him the recent setbacks come at a time when Mubarak needs all the prestige and political strength he can muster to steer Egypt through hard times.

Different nation. In the often confusing welter that is the Afro-Asian polity in West Asia, Egypt stands out as a somewhat different nation for several reasons. Both politically and emotionally it looks westwards for sustenance rather than amongst its neighbours, just as Turkey does. Having been under Greek, Turkish, French and British occupation at different times, Egyptians are Arabs only in name. Thus the flowing Arabic robes are sartorially *demode*, and women too have switched to the western mode of dress. Unlike its Arabic neighbours across the Red Sea, Egypt does not frown on the good life. Although a fundamentalist minority exists, it does not seem likely that the easy-going Egyptians will let their nation go the puritanical Iranian or Saudi Arabian way.

It therefore makes sense for India to nurture its traditional bonds of friendship with Egypt. Indeed, as this correspondent discovered to his pleasant surprise recently, Indians are received with genuine warmth. The fact that Rajiv Gandhi's first overseas visit after becoming prime minister was to Egypt (on his way to the United States) was widely hailed in the Cairo newspapers as a reaffirmation of the strength of Indo-Egyptian ties. As is well known, Egypt and India were co-founders of the non-aligned movement about 30 years ago.

Last year, Egypt chose to bestow its highest civilian honour—the Order of the Republic, First Class—on an Indian citizen: the hotelier Mohan Singh Oberoi. This was in recognition of Oberoi's single-handed contribution to the Egyptian tourism industry. Oberoi runs three hotels and three ships in that country. Otherwise, Indian corporate presence in Cairo is small. Only the Tata group has an office there, as has the State Bank of India. The bilateral trade balance, though, is heavily in India's favour.

Although most of the Arab world has

ceased to look to Egypt for leadership, its voice of moderation and restraint is likely to be an asset in the long run. Certainly, a temperate Egypt under Mubarak is India's best bet as a friend in West Asia.

Sujoy Gupta recently in Egypt

CHINA

Ties that bind

Although trade frictions with the US continue to top the official list of agenda items requiring action by harassed ministry of international trade and industry (MITI) officials, there are signs of increasing concern, both within the Japanese government and in the private sector, about Tokyo's fast deteriorating economic relations with China.

Japan's China trade, which grew by a remarkable 44% in 1985 to US $18.9 billion (Rs. 22,680 crores) as China's domestic economic boom sucked in imports of consumer goods and machinery, is expected to shrink substantially in 1986 with the slowdown of China's growth, and as a result of specific bans imposed by Peking on several types of consumer goods imports. Whether 1986 turns out to be a year of consolidation in a basically healthy trade relationship or the start of a more agonising process of adjustment is, however, by no means certain.

According to some trade analysts in Tokyo, and a rather larger number of Japan-watchers in trade and foreign relations research agencies in Peking, the two countries may have reached a point in their relationship where Japan needs to start offering a whole new series of "inputs" into the Chinese growth process if relations are to remain cordial and constructive. Failing that, Peking's Japan specialists hint that the time may have come for China to deliberately de-emphasise its reliance on Japan as a supplier of goods and technology, switching instead to more active links with Europe and North America.

The emphasis on resolving trade problems does not mean that China and Japan have lost their long-term vision of one another as complementary economies with a long-term common interest in each other's welfare. In the long run, Japan can hardly fail to be by far the most important supplier of technology, capital goods and management know-how to China, while China seems bound to go on looking to Japan as the major market for its minerals and farm products—to say nothing of manufactured products.

The factors which led to the present impasse in China-Japan relations are easy enough to list, though very differently evaluated by the two sides. Up to the start of 1985, when China's economy began to take off in a fashion that was apparently beyond the expectations—as well as the control—of its leadership, China had enjoyed a succession of moderate deficits in its trade with Japan which were roughly counterbalanced by surpluses elsewhere, producing an overall trade surplus for 1982 and 1983 and a small deficit in 1984.

The more than 10-fold increase in China's purchases of cars and colour television sets (to say nothing of refrigerators and other electronic goods) which occurred between mid-1984 and the end of 1985 was the main factor behind a 73% rise in the overall value of imports from Japan in 1985—by far the steepest one-year jump in the recent history of Sino-Japanese trade.

The resulting trade gap in Japan's favour of US $5.9 billion, according to Japanese figures, was more than twice as big as the previous record and may have represented more than half of China's total trade gap (though conflicting Peking statistics on trade make this difficult to determine).

Part control. Thanks to the slackening of inflationary pressures that occurred in the second half of 1985, China seems to have recovered at least part of the control over its international trade that was lost in 1984. But weaker internal demand, combined with the strict ban on imports of assembled consumer durables that was imposed towards the end of last year, hardly seems likely to be enough to restore trade equilibrium with Japan.

Apart from their much publicised imports of finished television sets and refrigerators, Chinese provincial governments and other local authorities are estimated (by Japanese sources) to have bought nearly 100 production lines for colour television sets between mid-1984 and the end of 1985 and perhaps as many as 600 lines for refrigerator assembly. Importing the components needed to operate these lines as they come on stream during 1986 is expected to put fresh strain on Peking's foreign exchange resources—assuming the authorities do not simply decide to mothball these facilities.

A second reason why Peking seems unlikely to be able to restore equilibrium to the Japanese trade relationship in 1986 is that falling oil prices will produce a devastating impact on China's export earnings. China exported around 270 million barrels of crude oil to Japan in 1985 (accounting for 6% of Japan's total imports) and thus stands to lose US $270 million of Japanese export earnings with every one dollar decline in the price of crude, assuming no change in the overall volume of exports.

In fact, an upward revision of the quantities of oil to be shipped under the 1978-90 China-Japan Long Term Trade Agreement was agreed upon in March after six months of strenuous negotiations. But the slightly larger share of Japan's oil import market which China may be able to obtain in 1986 as a result of this is unlikely to be worth as much in dollar terms as the smaller volume of oil shipped in 1985, and a parallel fall in the price of coal (China's second most important export to Japan) could make matters even worse.

The impossibility of achieving anything like a balanced trade relationship with Japan in the short term by stepping up exports may be one reason why Peking has begun to show signs of wanting to shift at least a portion of the machinery and plant orders that it formally placed in Japan towards European or US suppliers. But the trade gap itself is far from being the only issue that currently bedevils the bilateral economic relationship.

Negative reaction. Japanese trading companies which signed machinery contracts with China in the months preceding the September 1985 Group of Five agreement on exchange rates (the agreement which gave rise to the sharp appreciation of the yen) say they are being faced with demands for cuts of 20%-25% in the original yen denominated contract prices—failing which the Chinese importers have "hinted" at cancellation of the contract. China's negative reaction to the effects of yen revaluation is also claimed to have extended to not inviting Japanese companies to take part in tenders for new machinery contracts that are open to exporters from other nations.

Japanese companies have fought back against the problem of yen appreciation either by tendering in dollars instead of yen—as the Mitsubishi group did in the case of a recently awarded US $400 million contract for an electricity generating plant—or by deliberately sacrificing any hope of profit on yen denominated bids. But a Peking-based trade executive whose company normally wins some hundreds of millions of dollars worth of plant and machinery export contracts each year stated that

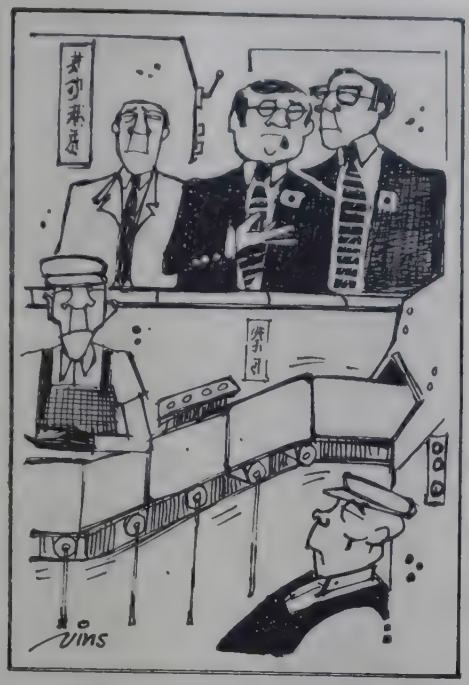
the psychological barrier represented by yen appreciation could still take months to overcome. This is despite the fact that in the case of one recent tender, for a 1 million m^3 liquefied petroleum plant to be built at the Hong Yuan oil field, the three lowest bids opened by the Chinese were all from Japanese consortia.

Poor performance. A final reason cited by Japanese traders as well as by the Chinese themselves for China's disillusionment with Japan as a trade partner is Japan's allegedly poor performance in direct investment. Chinese officials take the view that Japan's contribution in the investment field should be roughly equivalent to its share of China's external trade (around 25% in 1985 or 33% if Japan's share of imports alone are taken into account). Yet figures for 1979-84, published by the ministry of foreign economic relations and trade (MOFERT) in Peking, show that Japan was a poor third among overseas investment sources with a total of 57 joint venture agreements out of 741 from all areas (including Hongkong and Macau).

In 1985, Japanese companies signed another 70-80 joint venture agreements with China but the number of investments from other sources grew even more rapidly, so that Japan's share of incoming investment actually declined. Of the 2,300 or so investment agreements estimated by MOFERT to have been signed during 1985, Japan accounted for an exceedingly modest 3.4% while Hongkong and overseas Chinese investors contributed more than 70%.

Some 40% (by number) to date of incoming Japanese investments have been in manufacturing industries, including electronics, textiles and chemicals. But MOFERT complains that large-scale projects such as the Hitachi television manufacturing plant in Fujian and the Sanyo Electric television project in Shenzhen have represented only a minute proportion of the total. To a greater extent than either Hongkong or the US (the second-ranking foreign investor in China), Japan has opted for small-scale, low-risk projects involving a fairly modest level of technology.

Japan's failure to invest in China on a larger scale is put down by some analysts to "cultural" factors: it is argued, for example, that Hongkong businessmen, who account for by far the largest portion of investment, are more risk-oriented than the Japanese and more willing to assume that the unanswered questions about costs and operating conditions that tend to proliferate in China will be satisfactorily



'Remember what happened to the Americans when they gave us technology'

resolved once a project gets under way. Japanese companies with direct experience of Chinese business conditions, as well as MITI officials dealing with China, are more specific and less charitable.

A major electronics company, which already operates a joint venture television assembly plant in China, says it has given up the idea of making any further investments for the time being after being unexpectedly instructed by the Chinese authorities to start exporting a substantial proportion of its output or, failing that, to begin procurement of local components. According to MITI, the profit outlook for investments in China is so uncertain that Japanese investors who become involved in projects need to understand that they do so at their own risk. MITI's own attitude towards joint ventures is officially "neutral"—which may be a way of saying that it is, in fact, decidedly negative.

Ambitious alternative. In the absence of any willingness to push for an improvement in Japan-China relations through the joint venture route, MITI has come up with an ambitious alternative plan for putting the relationship back on track. In early May a group of senior executives representing around 150 of Japan's largest companies will spend four days in China talking to top economic leaders and "sincerely" looking for products that their companies may be able to import.

The May mission is also expected to discuss an idea that MITI sees as preferable to joint ventures—the designation by China of "export factories" that would receive tax and other incentives to reach a given level of overseas sales, while also being supported with technological assistance from Japan.

The MITI proposal for setting up designated factories seems to have attracted a positive response from MOFERT where officials have been studying some of the incentives used by Japan itself in the fifties and sixties to get exports of manufactured goods moving. But the big companies which will be taking part in the import promotion mission are by no means unanimous about the chances of success.

The China business manager of one top electronics concern stated that his company had been obliged to join the mission, but that there were fears that it might raise false expectations and be counter-productive. The same company's international procurement department was said to have answered "nothing" when asked by top management what electronic components or intermediate raw materials it thought might be usefully bought in China.

Differing perceptions. The removal of tariff and non-tariff barriers to China's farm-product exports, though not specifically on the agenda of the May mission, is another issue over which perceptions clearly differ. In Peking, trade officials claim to be on the point of tackling Japan seriously over such problems as the quarantine requirements for *inewara* straw, the material from which Japan's ubiquitous *tatami* matting is made, and over the restrictive import quota for *konyaku*, a vegetable used to make a jelly which is a popular Japanese side-dish. MITI officials, while disclaiming direct responsibility for either of these issues, stated that the chances of progress were minimal.

If the MITI sponsored mission to Peking fails to open the way for a significant increase in Japanese imports, and if oil prices continue to weaken or even stay at their current levels, Japan-China relations could be headed for a situation where what have hitherto been strictly economic issues become politicised. Japanese businessmen in Tokyo recall nervously that China's top leader, Deng Xiaoping, told a high level Japanese delegation in Peking last year that the current level of trade imbalance between the two nations might be permitted to continue for one year, or even two, but certainly not for longer.

What no one knows, however, is how

China might set about loosening the ties that bind it to Japan if it ever seriously decided to do so. Although deceptively far apart in culture and even more widely separated in income levels, the two countries almost certainly cannot do without each other.

Charles Smith
(By special arrangement with the Far Eastern Economic Review, Hongkong)

WEST GERMANY

Weak presence

D. V. Kamath, a senior engineer of Larsen & Toubro Ltd. (L&T—sales: Rs. 446.57 crores in the year ended 30th September 1985), was perhaps right in his judgement that despite India's low-key participation at the prestigious Hanover Fair this year, it was nevertheless important for the L&T group to be present at it.

Kamath, on being questioned about the motives of his company's participation in the fair, told this correspondent: "L&T has been participating at this important fair for the past eight years ...and although our experience has been that participation does not result in direct sales of capital goods, we have recieved many useful queries from buyers from all over the world. West Germany is a highly sophisticated market for industrial goods and it is important for us to get an exposure to the latest developments in technology, which may be useful for our own operations. Besides, the fair also enables us to establish contacts with prospective collaborators."

Eulogised by some as the "champagne fair" and by others as the "greatest industrial show on earth," the Hanover Fair has become an important international barometer for reading the trends and developments in the world of technology.

The Hanover Fair this year was divided into two seperate events—the CEBIT office equipment and computer fair (held from 12th to 19th March) and the traditional industrial fair (held from 9th to 16th April). This bifurcation of the fair—for the first time ever—inevitably drew flak from both exhibitors and visitors, some of whom felt that the prestigious Hanover Fair had been reduced to the level of a "normal" exhibition and was in danger of losing its unique character. But this notwithstanding, around 4,20,000 visitors and 5,500 participating companies from 45 countries were counted at the Hanover Industrial Fair this year and the fair's organisers averred that the turnout at the fair had "far exceeded" their expectations. And from all appearances, exhibitors and visitors were, despite their initial reservations, satisfied as well.



Hanover Fair vista in 1984: growing disenchantment among Indian exhibitors

Display window. The Hanover Fair is essentially a window for displaying capital industrial goods, exchanging information on research and development, picking up trends and feeling the pulse, as it were, of the worldwide industrial market. The fair also serves as a shopping centre for those interested in finding collaboration partners from the industrialised countries. Somewhat ironically, the very fact that the fair was divided into two parts this year, ensured that both exhibitors and visitors got what they wanted: adequate space for the exhibitors who devoted their time and attention to the visitors. In the past, buyers and interested visitors to the fair were a neglected lot, and often complained that exhibitors gave them very little time as a result of having to handle visitors along with buyers and interested specialists simultaneously.

The highlight of the Hanover Fair is that every year a *Schwellenland*—a so-called 'threshold country' or to use the popular jargon, a newly industrialised country (NIC)—is presented as a 'partner country.' This year's 'partner country' was Bulgaria which hogged the limelight with 24 economic organisations and some 130 industrial companies putting their wares on exhibit. Next year's 'partner country' will be the People's Republic of China whose representatives in the Federal Republic of Germany are already busy making preparations for next year's event.

India was represented by only four exhibitor companies this year. The poor strength of the Indian contingent was a far cry from the representation in 1984 when India participated as a 'partner country' with nearly 400 Indian exhibitors taking part. The small size of the Indian contingent this year also reflects a growing disenchantment among Indian exhibitors, particularly from the small and medium-sized sectors, who can ill afford the exorbitant costs of participation while getting little or nothing in return for their labours.

Another disincentive to small and medium-sized Indian exhibitors is the attitude of the Trade Fair Authority of India (TFAI) which claimed to have "other priorities"—implying that fairs elsewhere were more important for them than this internationally reputed fair where the entire world's industrial products are displayed.

Conspicuous absence. Indian companies, which hitherto enjoyed benefits such as display space, the cost of which was subsidised by the TFAI, were deprived of these as a result of the TFAI's conspicuous absence this year. Which is unfortunate because many small and medium-sized companies have very competitive goods to display and subsequently export to the more developed nations.

This argument is equally true of India's larger industrial companies, and despite the negative publicity given to India in the western media, India's potential as a supplier of industrial products is tremendous and should be tapped fully.

Two factors which have negatively biased German importers against Indian suppliers are the latter's notorious inability to keep delivery schedules and their failure to meet German standards. Jan Friese, the director of the Dusseldorf-based Indo-German Chamber of Commerce, has a word of advice for Indian suppliers: "Indian exporters should make specific efforts aimed at a product or a group of products instead of taking a 'shot in the dark' and aiming everywhere but hitting nowhere. India's engineering products, such as spare parts, do meet the fastidious quality standards of the Germans, but the entire effort is defeated if the goods are not delivered at the right time. A way out of this impasse would be to induce Indian suppliers to maintain buffer stocks of their products in warehouses... Bremen is well known for its excellent warehousing facilities."

Concluding on a note of optimism, Friese pointed out that many German companies are interested in giving business to India on a subcontracting basis, as they had done in the case of several companies in the South-east Asian region. Nixdorf, a leading German name in the field of computers, is negotiating with Indian firms for the supply of software. "Quality and delivery will decide India's exports. If Indians can supply the right goods at the right time, I am sure they can penetrate much farther than is the case at present," Friese maintains.

But first, Indian exporters need some firsthand knowledge of overseas markets, and this is where the annual fairs at Hanover are important. If the government of India is serious about boosting Indian exports, it will have to do better than it has done in 1986 to ensure that potential exporters get this exposure.

Manik Mehta in Hanover

LETTER FROM SYDNEY — HAMISH MCDONALD

Metals: the Carnegie report

A new study of the outlook for metal prices concludes that world supply and demand have been knocked so far out of kilter as to be beyond normal cyclical adjustment, and that more profitable conditions for miners and smelters would not return until the nineties.

Written by Conzinc Riotinto Australia (CRA) chairman Sir Roderick Carnegie for his confreres in the Group of Thirty (a private international foundation of business executives and bankers), the study was completed in January—just before world oil prices plummeted.

Economic boost. Although the impact of this obviously could not be canvassed by Carnegie, the analysis raises the question of whether all metal producers should welcome the new oil non-regime. Commodity dependent countries have seen the beneficial effect in an economic boost to the industrial north resulting in a general lift in demand for minerals, materials and food.

On the other hand, a temporary lift in metal prices could merely delay the shake-down that Carnegie obviously thinks the industry needs, and prolong a situation of actual or incipient oversupply that will constantly threaten profits.

This supply surplus burgeoned in the seventies on the then "fashionable wisdom" that raised ancient fears of resource depletion, while at the same time expecting continued high economic growth. Multilateral aid agencies and commercial banks were flush with oil producers' surpluses to fund the development of new mines.

The balance of world mine production shifted markedly to developing countries, and to a lesser extent to the centrally planned economies. Developing countries also moved further into smelting—to add value, secure market outlets, generate employment and foreign exchange, use cheap local energy and reduce transport costs. World trade sourcing in minerals and metals shifted to developing countries.

From the mid-sixties, the mining and metal industry was subject to a wave of nationalisation (in developed countries as well), copper being the most extreme example.

This resulted in a "blurring of business and political objectives" and a diffusion of market power. Another effect had been a fragmentation of the mining industry and a weakening of price leadership. The six large vertically integrated companies which dominated the aluminium industry 20 years ago had changed from being "price-makers" through the Alcan list-price to "price-takers" on the London Metal Exchange (LME) or the New York Commodity Exchange (COMEX).

Growth in demand for metals fell during the seventies, however, with the starkest change in steel—where demand in 1984 was 20% below that of 1974. Carnegie outlines several long-term factors: industrial economies grew more slowly; new technology got better performance out of metals; substitutes replaced some metals; economic growth in advanced countries depended more on services than physical production; debt factors constrained growth in developing economies; and sophisticated control systems reduced inventories.

The combination of factors broke the previous close link between prices and costs. Pricing shifted from producers to "terminal markets," principally the LME and COMEX, where real prices fell more dramatically (copper falling 60% from 1970-84) than compared with those minerals not traded on markets. (The real price of iron ore, subject to direct producer-consumer negotiation, dropped only 20% over 1970-84). Price stability was also distorted by currency movements.

For the longer term, Carnegie urges that new production not be the result of subsidised inputs or "prevailing industry fashion." Governments, banks and companies should be more selective about new investments. Governments should let high-cost producers leave the industry, it suggests.

Poor record. The CRA chief says fundamental demand and supply factors would reassert their influence over short-term expectations and sentiment which now affected markets. Excessive stocks which depressed markets in 1983-84 have also been reduced.

Supply and demand would move into greater balance in the early nineties, the report predicts. "The industry is not going to die: it is going to change significantly."

BRITAIN

Lloyds' big bid

■ Lloyds Bank plc (assets: $ 50.96 billion or Rs.61,152 crores in 1984), the fourth largest bank holding company in the UK, has made a £ 1.7 billion (Rs.2,040 crores) bid to take over Standard Chartered plc, the fifth largest UK-based bank holding company (assets: $ 43.2 billion or Rs.51,840 crores in 1985).

Meanwhile, according to British news reports, the Bank of England is showing unease at the takeover battle involving two of the biggest banks in that country. The management of Standard Chartered too is reported to be irked by this unexpected offer. However, the Lloyds' management is firm about its decision and insists that the strength of its network in Britain, Europe and Latin America and Standard Chartered's muscle in the Asia Pacific region, California and Africa will make a good combination. If the bid is accepted, it will create the largest commercial bank in Britain, with an asset base of £ 73 billion and a total capital of £ 6.7 billion.

But officials of Standard Chartered believe that the combination will never work, as the bank prides itself on being "a number of big international businesses that work together," and which enjoys some autonomy from the head office. In contrast, Lloyds runs its international business as an offshoot of its British network. Says a top official of Standard Chartered, "Squashing Standard Chartered into this existing Lloyds' structure wouldn't work."

ADVERTISING

Saatchi tops

■ The UK-based Saatchi & Saatchi plc (S&S) has emerged as the world's largest advertising agency following its acquisition of the US-based Ted Bates Worldwide, the sixth largest ad agency in the world. This top ranking is particularly sweet for S&S because just when it was about to finalise its deal with Bates, it was beaten to the top spot by the merger of three US ad agencies: BBDO International, the Doyle Dane Bernbach group and Needham Harper Worldwide, whose combined billings of $5 billion in 1985 made them the largest agency in the world.

But following its acquisition of Ted Bates, S&S has billings of $7.5 billion (Rs. 9,000 crores), putting it comfortably ahead at the top spot in world rankings. The Saatchi brothers — Maurice and Charles — who had made no secret of their long held ambition to make S&S the world's largest agency, have realised their goal in just 16 years.

UNITED STATES

Burroughs' takeover bid

■ The Detroit (US)-based computer manufacturing company, Burroughs Corporation (sales: $4.80 billion or Rs. 5,760 crores in 1984), has announced a $4.06 billion bid to take over the New York (US)-based rival computer manufacturer, Sperry Corporation (sales: $5.23 billion or Rs. 6,276 crores in the year ended 31st March 1984). If the bid succeeds, it will create the second largest computer manufacturing company in the world.

In the worldwide market for mainframe computers, International Business Machines Corporation (IBM) has a 62.6% share while Burroughs and Sperry have stagnated at 6% each. According to a top official of Burroughs, the combined company will be in a better position to compete with IBM. "Moreover," he says, "it will eliminate the buyers' psychological fear of committing to a supplier other than IBM. A user of computers will acknowledge that our products are cheaper and yet still be afraid to buy from Burroughs or Sperry because of IBM's far larger size. We think we can create another US power house so that we don't have just IBM and the Japanese in the market."

BANKING & FINANCE

The Third Market

■ A new, third-tier market will soon complement the London Stock Exchange's listed and unlisted securities markets. It will be called the Third Market and trading operations are expected to commence in October 1986. The aim of this new venture promoted by the London Stock Exchange (LSE) is to establish a market in the securities of worthwhile young growth companies. The trading arrangements will be so tailored as to make the shares of smaller and less established companies more readily tradable.

The beneficiaries of the Third Market will be 'greenfield projects' (enterprises that have named backers but lack finance) and companies with at least a one year trading record. The shares of such companies will be traded in the Third Market.

According to LSE spokesmen, a careful scrutiny of candidate companies by sponsoring member-firms of the LSE will minimise as far as possible the risk factor for investors.

SRI LANKA

Taj group's good show

■ The Colombo (Sri Lanka)-based Taj Lanka Hotels Ltd. — promoted by the Indian Hotels Co. Ltd. (sales: Rs.64.61 crores in the year ended 31st March 1985) — has posted satisfactory results in its second year of operations.

During the first year of the company's operations, it suffered a massive loss of SL Rs.4.12 crores (Rs.8.24 crores). This was attributed to the continuing ethnic trouble in Sri Lanka, as a result of which tourism received a major setback. Despite this, Taj Lanka has managed to post better results for the year 1985-86. The sales turnover of the company topped SL Rs.7 crores and gross operational were profits SL Rs.2.43 lakhs.

Meanwhile, the mounting ethnic strife in Sri Lanka notwithstanding, the company has embarked on an expansion programme. In order to undertake the construction of additional facilities, the company's management proposes to make a rights issue of SL Rs.7.98 crores to its existing shareholders in the ratio of three new shares for every 10 ordinary shares held as on 31st January 1986.

INDUSTRY

Japanese job creators

■In what seems like a reversal of old trends, Japanese companies are expanding in the West. According to a study of 107 Japanese companies which have manufacturing facilities in the UK, more than 5,000 British jobs are scheduled to be created through the expansion of these plants in the next two years. Of these jobs, the majority of them will be in the manufacturing sector, and the rest in the service sector. The main thrust will be in the field of electronics.

Already, Japanese manufacturing enterprises provide 10,000 jobs in the UK. The UK is favoured by Japanese companies for its reliable supplies, its highly skilled workforce, good labour relations and the ready availability of financial assistance.

The Japanese have also expanded operations in West Germany, though not to the same extent.

ASIAN PAINTS

Promising prospects

If the recently commenced labour trouble at its Bhandup (Bombay) plant does not prove to be prolonged, Asian Paints Ltd., the country's largest paints manufacturing company, will cross the Rs. 200 crore sales turnover milestone in the current year ending 31st December 1986.

However, labour trouble notwithstanding, the company continues to perform well. Its new product, branded Touchwood, a polyurethane-based wood finish, is being launched throughout the country this year. Moreover, the second phase of its paints project in Patancheru (AP) — which went on stream during the middle of last year — is expected to be completed by the end of the current year.

The growth prospects for the coming years are even more promising on account of several new projects which are under various stages of implementation. The company plans to undertake the manufacture of pre-treatment chemicals and automotive coatings in technical collaboration with Nippon Paint Co., Japan, and of high performance marine and maintenance coatings in technical collaboration with Devoe Marine Coatings, USA.

The company has also secured letters of intent for the manufacture of 200 tonnes per annum of z-vinyl pyridine monomer, 1,200 tonnes of synthetic rubber and 9,000 tonnes of phthalic anhydride.

Meanwhile, the company is implementing a joint sector project in Tamil Nadu for the manufacture of pentaerythritol and sodium formate. A new company styled Pentasia Chemicals has been promoted to take up this project.

HIND DORR-OLIVER

Exciting outlook

The current year (1st December 1985 to 30th November 1986) outlook for Hindustan Dorr-Oliver Ltd., the Indian associate of the multinational engineering company Dorr-Oliver, USA, is exciting.

The company started the new year with a record backlog of orders valued at Rs. 74 crores as compared to Rs. 63 crores last year and Rs. 48 crores the year before. Moreover, it has received fresh orders valued at around Rs. 10 crores during the current year. At present, half a dozen projects are currently being executed by the company. On the basis of actual performance in the first five months and the outlook for the remaining period, it can be said that aggregate sales turnover — which had declined modestly by 6% last year — during the current year will increase by at least 30% to reach the Rs. 50 crore mark and profit at the gross level, which had marginally declined by about 4% last year (1984-85), is also expected to rise by about 25% this year.

The higher profits will enable the management to declare a dividend higher than the promised 25% for the current year on the enhanced capital base consequent to the 1:1 recent bonus issue.

The prospects for the coming years are also quite encouraging. The company has entered into a technical collaboration agreement with Dorr-Oliver for fluidbed combustion systems and steam generation plants and it will start manufacturing these systems from early next year. Again, the company is also expanding its division for the design and manufacture of air pollution control systems, the market for which is expanding fast.

MAY & BAKER

Improved performance

May & Baker Ltd., the well-known manufacturer of pharmaceuticals, chemicals and photographic products, which had suffered a modest setback of around 13% in its earnings last year (1985), is likely to put up an improved show in the current year ending 31st December 1986.

The company's Paithan plant — which is billed the most modern pharmaceuticals factory in the country — was commissioned towards the close of last year and the benefits of this plant will be reflected in the current year's working. The company has also started the manufacture of new products for colour processing — Mydoneg and Mydoprint systems — towards the close of 1985, and these products have been well received in the market. Both these new developments will significantly add to the company's sales and profitability during the current year.

If the actual performance in the first four months is any indication, the company's sales during 1986 will reach the Rs. 50 crore mark and profit at the gross level will register an increase of at least 20% over the Rs. 3.86 crores realised during 1985.

Companies this fortnight

(Rs. crores)

	Asian Paints (year ended December)			May & Baker (year ended December)			Hind Dorr-Oliver (year ended November)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Sales	88.79	114.03	145.18	41.95	38.75	41.07	36.38	40.06	37.71
Gross profit	9.68	12.08	15.45	3.89	4.46	3.86	5.50	7.80	7.52
Paid-up capital	5.19	5.19	8.30	4.50	4.50	4.50	1.19	1.19	1.19
Reserves	10.86	17.00	19.56	3.76	4.37	5.90	2.66	4.31	6.02
Gross fixed assets	18.74	22.01	28.44	8.11	9.41	15.62	1.38	2.35	2.89
Dividend (%)	25.00	30.00	30.00	15.00	15.00	15.00	40.00	45.00	50.00
Earnings per share (Rs.)	7.00	10.22	10.11	2.64	2.95	5.20	11.71	17.79	18.24
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 9th May 1986			140.00			63.00			445.00

TATA TEA

Profit plunge

Tata Tea Ltd., the well-known Calcutta-based Tata group company suffered a setback in its financial year ended 31st December 1985. The company's sales turnover declined by 8.78% to Rs. 149.62 crores from Rs. 164.03 crores in 1984. Its pre-tax profit plummeted by a phenomenal 64.5% to Rs. 17.66 crores from Rs. 49.77 crores, while profit after tax dipped to Rs. 11.56 crores from Rs. 17.32 crores in 1984, i.e. by 33.3%.

According to a company press release, the poor profitability is attributable to the sharp fall in the prices of black tea. Given the company's poor showing, the board of directors has declared a lower equity dividend of 30% *cf.* 50% paid in 1984, and has decided to skip the interim dividend for 1986. As far as the prospects for 1986 are concerned, they are none too encouraging, unless the prices of tea become more remunerative.

GREAVES COTTON

Modest profit spurt

The reputed Bombay-based engineering firm Greaves Cotton & Co. Ltd., which is engaged in the wholesale trade in industrial machinery and in the manufacture of diamond bits, industrial diamond tools and diamond ore milling machines, has turned in satisfactory financial results in its year ended 30th June 1985. The sales turnover of this Thapar group company has risen by 10% to Rs. 131.9 crores *cf.* Rs. 118 crores in the preceding year, while pre-tax profit has risen modestly to Rs. 6.23 crores from Rs. 6.05 crores over the same period. An equity dividend of 17% has been declared by the company's board of directors *cf.* 15% paid in the previous year. The Bombay high court has also approved the amalgamation of Greaves Lombardini – the Aurangabad-based diesel engines manufacturing company – with Greaves Cotton.

RANBAXY LABS

Good year

Ranbaxy Laboratories Ltd., the well-known Sahibzada Ajit Singh Nagar (Punjab)-based manufacturer of pharmaceuticals, basic drugs and fine chemicals, fared well in its accounting year ended 31st December 1985. Sales turnover spurted by a substantial 41% to Rs. 70.99 crores from Rs. 50.33 crores in the previous year. Gross profit increased by 27% to Rs. 4.88 crores from Rs. 3.85 crores in 1984, while profit after tax rose by 29% to Rs. 3.44 crores from Rs. 2.66 crores over the same period. However, the company's board of directors has decided to maintain the equity dividend at 20%.

Meanwhile, the new injectables manufacturing plant of the company, located at Dewas in Madhya Pradesh, went on stream in February this year. The new antibiotics manufacturing plant at Toansa, near Hoshiarpur (Punjab), is expected to be operational by end-1986, and the project for the manufacture of surgical dressings and bandages is under implementation at Dewas. The modernisation of the pharmaceutical formulations manufacturing facility at Okhla is also in the final stages of completion.

TATA REFRACTORIES

Good performance

Reportedly the largest refractory manufacturer in India, the Belaphar (Orissa)-based Tata Refractories Ltd. (TRL – formerly Belaphar Refractories Ltd.), has turned in a good performance in its accounting year ended 31st October 1985. The sales turnover of the company, which is a subsidiary of the Tata Iron & Steel Co. Ltd., has spurted to a record Rs. 44.92 crores – a growth of 36% over that of the previous two years. And the disposable profit has risen to Rs. 77.06 lakhs *cf.* Rs. 60.57 lakhs in the previous year. Consequently the company's board of directors has decided to hike the equity dividend to 12% as against 10% paid in 1983-84.

STRAW PRODUCTS

Diversification programme

Straw Products Ltd. (SPL), the well diversified Singhania group company which *inter alia* manufactures paper, cement and dry cell batteries, has reported improved operational results in its accounting year ended 31st December 1985. On a sales turnover of Rs. 117.18 crores, which is 10.5% more than the Rs. 106.09 crores earned in the previous year, the company has notched up a higher gross profit of Rs. 21.16 crores *cf.* Rs. 16.99 crores in 1984. The company's board of directors proposes to maintain the equity dividend at 20% on an enhanced equity capital base.

SPL also has an ambitious expansion and diversification programme on the drawing board. It plans to instal a new paper manufacturing machine at JK Paper Mills (Orissa), to manufacture light-weight and speciality papers, at an estimated cost of Rs. 10 crores. Meanwhile, its Rs. 73 crore polyester staple fibres manufacturing project, promoted in the joint sector with IPCOL in Orissa, is expected to be commissioned by end-1986. Finally, the company is awaiting the green signal to diversify into the manufacture of linear alkyl benzene, acrylonitrile and colour television sets as well.

NAGARJUNA STEELS

Good results

Nagarjuna Steels Ltd. (NSL), the well-known Hyderabad-based Nagarjuna group company which manufactures cold rolled steel strips, has posted very good working results in its year ended 31st March 1986. Sales turnover at Rs. 34.38 crores is a substantial 49.6% higher than the Rs. 22.98 crores recorded in the previous year. Gross profit has shot up by 61.3% to Rs. 6.26 crores from Rs. 3.88 crores in 1984-85, while net profit has spurted by a phenomenal 285.3% to Rs. 2.28 crores from Rs. 59.18 lakhs in the corresponding period last year. The company's board of directors has announced an equity dividend of 16%.

The company has also received a letter of intent to diversify into the manufacture of cold formed metal sections. With an annual capacity of 30,000 tonnes, this new project is being promoted in technical collaboration with Voest Alpine, Austria.

UNIVERSAL CABLES

Higher dividend

A substantial improvement has been registered in the working results of Universal Cables Ltd. (UCL), the Satna (MP)-based Birla group company. In its year ended 31st March 1986, UCL – which manufactures power cables, capacitors and aluminium rods – has recorded a sales turnover of Rs. 63.58 crores, which is 39% higher than the Rs. 45.65 crores chalked up in 1984-85.

Gross profit has more than doubled to Rs. 6.62 crores from Rs. 3.09 crores in the previous year, while net profit has risen by 45.5% to Rs. 1.37 crores from Rs. 94.13 lakhs over the same period. Not surprisingly, the company's board of directors has recommended an enhanced equity dividend of 20% *cf.* 15% paid in 1984-85.

Besides, under licence from General Electric, USA, the company has commenced the manufacture of capacitors with a non-toxic impregnant. Meanwhile, at Rewa (MP), Vindhya Telelinks Ltd. – the company's joint sector project for the manufacture of jelly-filled telephone cables – has commenced commercial production. Plans are also afoot to venture into the manufacture of high performance speciality cables. These find wide application in a host of industries such as aerospace, telecommunications, oil exploration and defence.

DEEPAK FERTILISERS

Back in the black

The Bombay-based Deepak Fertilisers & Petrochemicals Corporation Ltd., which manufactures pesticides and fertilisers, has announced its working results for the year ended 31st December 1985. The company has recorded a sales turnover of Rs. 33.70 crores (Rs. 23.45 crores in the previous 13 month 'year'), a gross profit of Rs. 8.91 crores (Rs. 6.10 crores), and a net profit of Rs. 2.64 crores *cf.* a net loss of Rs. 59.72 lakhs in the preceding 'year'.

The company has also received a letter of intent to implement its Rs. 32 crore project to manufacture 75,000 tonnes of diluted nitric acid, 25,000 tonnes of concentrated nitric acid and 36,000 tonnes of low density prilled ammonium nitrate per annum.

FLAKT INDIA

Better performance

Flakt India Ltd., the well-known Calcutta-based company which *inter alia* manufactures fans, blowers and air treatment equipment, has recorded better financial results in its year ended 31st December 1985. Sales turnover has risen by 27% to Rs. 29.04 crores from Rs. 22.87 crores in the previous year, while gross profit has improved by 25% to Rs. 2.01 crores *cf.* Rs. 1.61 crores in 1984. The company's board of directors has recommended an equity dividend of 20% (same as last year), in addition to a bonus issue in the ratio of 1:3.

NEW INDIA

Satisfactory results

The Baroda-based New India Industries Ltd., which is *inter alia* engaged in the manufacture of yarn, cameras and bromide papers, has reported satisfactory working results in its year ended 31st December 1985. Sales turnover has improved by 4.8% to Rs. 22.98 crores from Rs. 21.93 crores in the previous year. And though gross profit has declined marginally to Rs. 1.74 crores from Rs. 1.80 crores in 1984, profit after taxation and depreciation has improved from Rs. 33.13 lakhs to Rs. 41.28 lakhs during the same period, i.e. by 24.6%. The board of directors of the company has decided to maintain the equity dividend at 16%.

HINDUSTHAN GAS

Substantial improvement

Hindusthan Gas & Industries Ltd., the Calcutta-based company, has witnessed a substantial improvement in its financial results. Sales turnover in the company's year ended 31st March 1986 has risen by 32% to Rs.18.36 crores from Rs. 13.93 crores in the previous year, while gross profit has nearly doubled to Rs. 2.30 crores *cf.* Rs. 1.26 crores in 1984-85. Consequently a higher equity dividend of 21.4% (17.9% in the previous year) has been declared by the company's board of directors.

KHANDELWAL HERRMANN

Impressive results

Khandelwal Herrmann Electronics Ltd. (KHEL), the Bombay-based electronic components manufacturing firm, which turned the corner in its year ended 31st December 1984 after dismal losses in the previous two years, has recorded impressive working results for 1985. Sales turnover has risen by a significant 88% to Rs. 2.18 crores from Rs. 1.16 crores in 1984, while gross profit has registered a phenomenal increase of 159% to Rs. 61.74 lakhs from Rs. 23.80 lakhs in the preceding year. Consequently, the company's board of directors has declared a maiden dividend of 15%.

KHEL has also entered into a collaboration agreement with Siemens AG, West Germany, to manufacture silicon-controlled rectifiers, triacs, diacs and diodes. These products are energy saving devices which find application in television sets, microprocessors, computers, etc. The plant, located at Pithampur near Indore, is expected to be commissioned by early 1987, and the project cost is an estimated Rs. 11 crores. Tie-up agreements are also being negotiated with reputed companies in the US and South Korea to manufacture a new range of electronic products and ancillaries.

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
Fraternity Electronics	E	27th May	0.32	Working capital requirements
Ras Resorts	E	27th May	0.79	Part financing of hotel project
Khaitan Industrial Lessors	E	28th May	0.74	Working capital requirements
Vespa Car Co.	E	28th May	1.38	Working capital requirements
JBF Synthetics	E	2nd June	0.57	Expansion and modernisation
Ganges Fertilisers & Chemicals	E	2nd June	1.02	Part financing of single super phosphates manufacturing project
Bhilwara Synthetics	E	2nd June	0.59	Expansion and modernisation
Vitta Mazda	E	3rd June	1.80	Working capital requirements
South Eastern Roadways	E	5th June	0.60	Working capital requirements
Dr. Reddy's Laboratories	E & NCD	5th June	1.35	Expansion of bulk drug production capacity

E=Equity, face value Rs.10 *NCD=Non-convertible debentures, value Rs.100*

OIL COUNTRY TUBULAR

Pioneering venture

A Rs. 50 crore project is coming up near Hyderabad to manufacture oil drilling equipment, which finds application in on-shore and off-shore drilling operations. Promoted in the joint sector with the Andhra Pradesh Industrial Development Corporation, Oil Country Tubular Ltd. (OCTL) has a licensed capacity to manufacture 50,000 tonnes of drill pipes, production tubing and casing pipes per annum. It is reportedly a pioneering venture as it will also have the entire range of the latest finishing facilities under one roof, together with sophisticated inspection services. Commercial production is expected to commence by early 1987.

For this project, OCTL has entered into a collaboration agreement with the Houston-based Baker Tubular Services Inc. (BTS), which is a well-known company in the field of oil drilling equipment and services, and is a division of the American giant, Baker International (annual sales turnover: $ 1.9 billion or Rs. 2,280 crores). BTS will provide the technical knowhow on an ongoing basis for a one-time fee of Rs. 3 crores and it will also have an equity stake of 11% in OCTL.

ADVERTISING

Enter INTAM

Mediasearch, the media research division of the Bombay-based Marketing & Research Group (MARG), and Pathfinders, the market research group of the well-known advertising agency Lintas:India, have teamed up to provide a meter-based television audience measurement service known as the Indian National TV Audience Measurement System (INTAM).

According to spokesmen of the two companies, INTAM meters will be installed in the homes of a carefully selected sample of representative viewers in the four metropolitan cities as well as several smaller towns. They will monitor the television programme preferences and the duration of viewing time of this representative sample of television viewers. Consequently, for the first time, this service will be able to provide a comprehensive all-India audience index for each of the national net work programmes. "This information will be of great value to advertisers since network advertising absorbs nearly 75% of the total television advertising budgets of the major advertisers," says a Mediasearch spokesman.

PEOPLE & PLACEMENTS

N.S.S. RAO has been appointed general manager of the Central Bank of India.





D.K. KHANDELWAL has been appointed president of the Calcutta Stock Exchange for 1986-87.

V.K.S. MENON has been appointed chairman-cum-managing director of Steel Industrials Kerala Ltd., Trichur.





R.L. WADHWA has been appointed executive director of the Allahabad Bank.

W.T. DRUMMOND has taken over as vice chairman-cum-managing director of Madura Coats Ltd.





S.M. JAIN has been appointed director (finance) of Fertilisers & Chemicals Travancore Ltd.

V.P. SHRIYAN has been appointed director (marketing) of the Indian Sewing Machine Co. Ltd.





K.A. IYENGAR has been appointed a wholetime director of Mather & Platt (India) Ltd.

PREM MEHTA has taken over as director (Bombay operations) of Lintas: India.





HARI K. MATHUR has been re-elected president of the Advertising Club of Bombay.

B. PANDA has been appointed chairman of the Indo-American Chamber of Commerce (Orissa chapter).





JASU SHAH has been elected president (western region) of the Indo-American Chamber of Commerce.

S.S. SINGHANIA has been elected president of the Indian Council of Small Industries for 1986-88.





R.V. NAGARAJAN has been elected president of the Institute of Company Secretaries of India for 1986.

Portfolios steady

Not much good has blown the way of the *BusinessWorld* portfolios a month after they were last monitored (*BW* April 28-May 11, p. 91).

This, however, is due to the fact that the stockmarkets were in a bigger shambles during the month ended 16th May, after leaders among listed scrips had made a recovery from their post-budget falls. In the circumstances, it is a small consolation that the portfolio scrips have remained almost unscathed.

In fact, some of the portfolio scrips, *viz.* Hindustan Lever, MICO, Garware Polyester, Larsen & Toubro and even Garware Marine, came in for fresh buying at lower levels in the Bombay stock exchange, where all the portfolio scrips are listed for trading. As a consequence, on 16th May they were restored to their previous levels of 17th April. At the same time, IDL Chemicals, a loser hitherto, appreciated over this period from Rs. 67.50 to Rs. 77.50.

Latent potential. This firm trend in the values of the portfolio scrips, to my mind, confirms their latent potential. True, the selected scrips have not boosted portfolio values, but this is because the stockmarket is still in a depressed state. Nevertheless portfolio A, drawn up for steady income with some prospects of capital appreciation, did make some small gains which raised its aggregate value marginally to Rs. 18,439 on 16th May *cf.* Rs. 18,114 on 17th April. Portfolio B, drawn up for capital appreciation *per se*, lost some ground, with the aggregate value closing at Rs. 15,996 — down from Rs. 16,846 on 17th April. The three scrips constituting the portfolio were all quoted somewhat lower on 16th May as compared to 17th April.

PORTFOLIO A
For steady income

	Yield*	No. of shares	Purchase price	Amount invested	Market value 17th April 1986	Market value 16th May 1986
IDL Chemicals	4.0%	20	65	1,300	1,350**	1,550**
Garware Marine	3.0%	100	25	2,500	1,550**	1,650**
Larsen & Toubro	1.5%	20	189	3,780	3,764**	3,664**
Garware Polyester	1.9%	50	97	4,850	4,250	4,225
Hindustan Lever	1.6%	50	152	7,600	7,200	7,350
Total investment and market value					18,114	18,439

*Based on last recommended dividend. **Includes dividend income.

PORTFOLIO B
For capital appreciation

	No. of shares	Purchase price	Amount invested	Market value 17th April 1986	Market value 16th May 1986
Samtel	50	195	9,750	7,125	6,500
Larsen & Toubro	30	189	5,670	5,646*	5,496*
MICO	5	745	3,725	4,075	4,000
Total investment and market value			19,145	16,846	15,996

*Includes dividend income.

'Likewise, Garware Marine was also in demand because it is widely believed that the shipping industry, although still in dire straits, cannot get any worse now because freight rates in the world markets continue to remain at rock bottom levels. This means government help is imminent'

In the light of fresh buying of the portfolio scrips during the last months, there is hope for the future. Hindustan Lever has evoked demand for the same reason the scrip was included in portfolio A, *viz.* that the company is likely to be diluting its foreign-held equity further with an offer to Indian shareholders. Marketmen have persisted in expecting this, although when the company announced its last year's results and plans for further expansion a few weeks ago, the management had preferred to maintain a stoic silence on this particular subject.

Garware Polyester attracted support following the news that the company has received the green signal for its proposal to diversify into the electronics industry. Likewise, Garware Marine was also in demand because it is widely believed that the shipping industry, although still in dire straits, cannot get any worse now because freight rates in the world markets continue to remain at rock bottom levels. This means government help is imminent.

MICO and Larsen & Toubro (L&T) are both currently pregnant with bonus shares, which in the case of the former is of as high a proportion as 1:1 and in the case of the latter it is an equally substantive 3:5. While this is the reason why both these scrips are attracting buyers, the time for the L&T bonus issue is imminent as the company has got the necessary sanctions to proceed in the matter of distributing bonus shares.

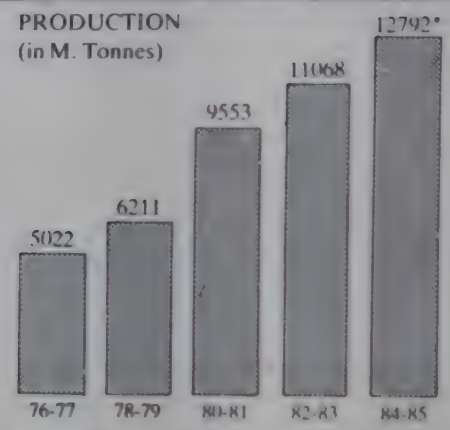
Rights issue. The horizon has also brightened for shareholders of Samtel, included in portfolio B. The company has reportedly taken the decision to make a rights equity issue and announce a maiden dividend to shareholders. The board of the company was scheduled to meet on 17th May to make these announcements. Therefore the exact nature and scope of these announcements remain unknown at the time of writing this column. But whatever the proposals, the Samtel equity share is likely to gain ground as it has already risen from Rs. 118.75 to Rs. 147.50 after the company announced the date of its board meeting.

Undoubtedly the portfolio scrips have an edge over the other listed scrips on the Bombay stock exchange. But they are likely to realise their potential only after investors emerge out of their currently depressed state.

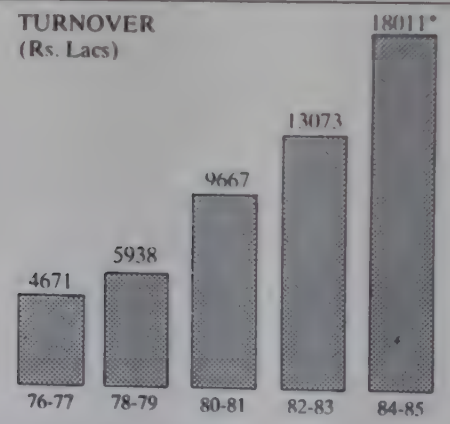
Artymon

NIRLON's Rights Issue of 20,92,500 – 13.5% Secured Redeemable Convertible Debentures of Rs. 100/- each for cash at par is open till 7th June, 1986

PRODUCTION & TURNOVER

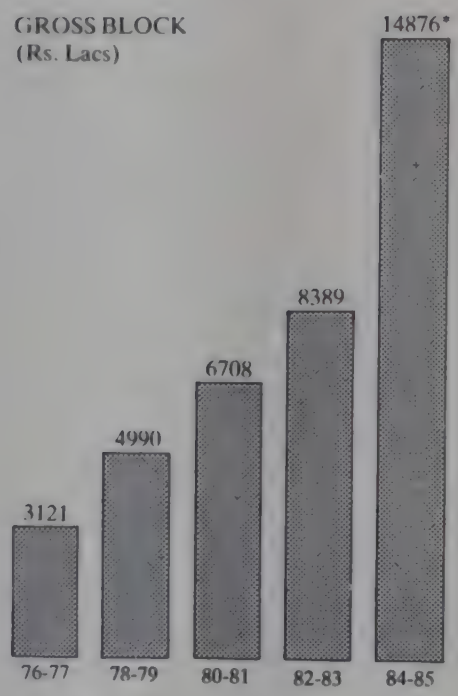


*pro-rata for 12 months



*pro-rata for 12 months

GROSS BLOCK



*includes Revaluation of Rs. 2154.96 lacs

With modernisation and adaptation of new generation technology, Nirlon is poised for a future filled with growth. And it is this potential that the Company wishes to share with you. Nirlon now offers you Secured Redeemable Convertible Debentures on Rights basis. Your investment in these Debentures is secure, long term and rewarding.

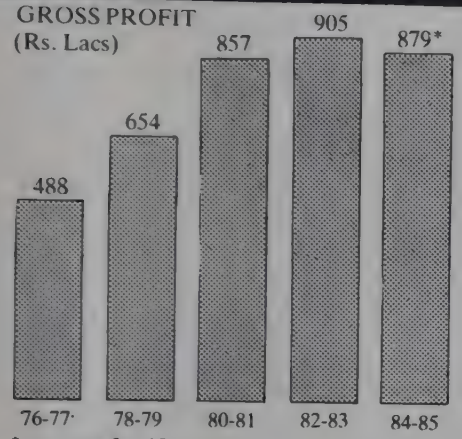
— with you behind us, the best years are ahead.

HIGHLIGHTS

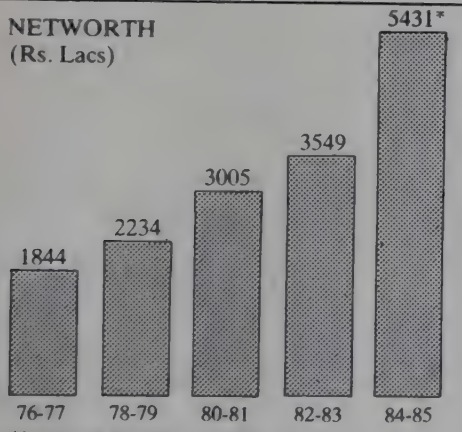
- ★ Most liberal conversion terms — Two Shares at Rs. 15/- each per Debenture. (market price Rs. 53/- per share as on 24/4/1986 on Bombay Stock Exchange)
- ★ Uninterrupted dividend record for the last 22 years.
- ★ Immediate advantage of a three fold increase in PFY/POY capacity.
- ★ Most modern tyrecord fabric plant at Tarapore already commissioned.
- ★ Government approvals received for massive expansion programmes.
- ★ Impressive diversification plans worth Rs. 150 crores on hand.
- ★ Turnover projected to cross Rs. 600 crore mark in 5 years.
- ★ Interest from Day One.
- ★ Fully secured by a charge on the assets of the Company.
- ★ Easy liquidity — Listing on Bombay Stock Exchange.

Whichever way you look at it, your investment in NIRLON gives you Instant Returns.

PROFITS & NET WORTH



*pro-rata for 12 months



*includes Revaluation Reserve of Rs. 1983.73 lacs (Net)

RETURNS TO INVESTORS

Take a look at what Nirlon shareholders have stood to gain since 1977 — two generous Bonus Issues plus regular dividends. Reasons enough for a Nirlon shareholder to remain a Nirlon shareholder — forever!

For instance, an investment in 100 Equity Shares (Face value Rs. 10/- plus premium Rs. 22.50) in 1977 at a total cost of Rs. 3,250/- has appreciated to 337.50 Equity Shares by way of Bonus Issues alone! Coupled with regular dividends, it has resulted in an average annual growth rate of **64.94%**.

Let the figures speak for themselves:

Year	No. of Shares	Bonus Shares	Dividend %	Dividend Rs.
1976-77	100	125	18.0	405.00
1977-78	225	—	20.0	450.00
1978-79	225	—	22.5	506.25
1979-80	225	—	22.5	506.25
1980-81	225	—	22.5	506.25
1981-82	225	112.50	22.5	759.38
1982-83	337.50	—	22.5	759.38
1983-84	337.50	—	22.5	759.38
1984-85	337.50	—	22.5	759.38
	Total Dividend Received	—		5,411.27
	Add: Value of 337.50 Equity Shares at the market price of Rs. 53/- per Equity Share as on 24/4/1986 on Bombay Stock Exchange)			17,887.50
	Total gain	—		23,298.77
	Less Original Cost of Investment	—		3,250.00
	Net gain in 9½ years	—		20,048.77

i.e. net annual average gain of Rs.2110.40 on an investment of Rs. 3,250/-

i.e. An average annual return of 64.94% on your investment.

True to its tradition, Nirlon invites you to share its potentials, with an issue of Secured Redeemable Convertible Debentures. Look at the rich, rewarding returns for all kinds of investors.

1. Long term investors who prefer to sell the Shares and retain the Debenture will stand to earn Rs. 9.45 per annum on NIL investment; in other words, **INFINITE**
2. Short term investors who would sell the Shares as well as Debentures at 16% yield will stand to earn a return of **71.81%** in six-months period.
3. Conservative investors who would hold the Shares and sell the Debentures at 16% yield will have a total cost per Equity Share of Rs. 20.47 (market price of Equity Share of Rs. 53/- as on 24/4/1986 on Bombay Stock Exchange).

Whichever way you look at it, you're a sure winner.

Managers to the Issue

HongkongBank
Merchant Banking Division,
314 Dadabhoy Naoroji Road Bombay 400 001.

J. M. FINANCIAL & INVESTMENT CONSULTANCY SERVICES PVT. LTD.
Merchant Banking Division
141 Maker Chambers III,
Nariman Point Bombay 400 021.

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED
Merchant Banking Division
163 Backbay Reclamation
Bombay 400 020

Nirlon

NIRLON SYNTHETIC FIBRES & CHEMICALS LIMITED

Registered Office: Nirlon House, 254-B, Dr. Annie Besant Road, Worli, Bombay 400 025

Depressed sentiment

In the absence of fresh buying either by the financial institutions or big operators coupled with tired bull liquidation, the stock exchanges were depressed during the fortnight ended 16th May. Besides, the deteriorating situation in Punjab and the poor response to new issues also dampened the market sentiment.

Reflecting the bearish trend in equities, *The Economic Times* index of ordinary shares (1969-70 =100) declined from 497.2 on 5th May to 492 on 16th May — a fall of 1%. Following suit the *Financial Express* equity index (1979 = 100) also moved down by 2.8% to 334.36 during the same period.

The highlight of trading during the fortnight under review was the sharp decline in the quotation of Tata Tea which tumbled by 20.96% to Rs. 74.50 on sustained selling. This was attributed to the fall in the profits of the company in the year ended 30th June 1985. It is also reported in the market that prior to the announcement of the results, top executives of the company sold over 20,000 shares. Consequently, the *ET* index for plantation equities declined sharply by 8.37% from 429.6 to 393.6 during the fortnight ended 16th May.

Iron and steel equities were distinctly weak on tired bull liquidation, with the *ET* index for these scrips moving down from 1,797.5 to 1,656 — a fall of 7.8% during the fortnight. Tata Steel (TISCO), the trend setting scrip, lost Rs. 52.50 (3.91%) on rumours that the company's performance for the year ended 31st March 1986 is not up to market expectations.

Man-made fibre equities continued to be marked down in the absence of fresh speculative support. As a result the *ET* index for these scrips declined from 827.3 to 803.7 during the fortnight. Fertilisers shares also showed an easy trend because of profit-taking at higher levels. Consequently, the *ET* index for these scrips lost 4.60% to close at 747.4.

"The bear phase that has set in after the budget is expected to accelerate in the coming weeks. What is disturbing is the very sluggish trend displayed by cash shares especially the new shares issued during the last few months. This has led to an erosion in investor confidence. It is only when the cash shares pick up that the market as a whole moves upwards. But in the immediate future this seems to be a remote possibility," says Ananth Bhat, the financial consultant to Jayantilal N. Patel, the reputed stockbroking firm based in Bombay.

Dhruv

BOMBAY

Name/Industries	1985 Price range High (Rs.)	Low (Rs.)	Dividend per share (Rs.)	Opening 5-5-86 (Rs.)	Closing 16-5-86 (Rs.)	Yield %
1	2	3	4	5	6	7
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	360.00	365.00	4.1
Bombay Dyeing (25)	156.00	63.00	1.75*	104.00	114.00	1.5
Century Spg (100)	1530.00	805.00	24.00*	1280.00	1270.00	1.9
Century Enka (100)	1240.00	600.00	34.00	1040.00	1030.00	3.3
Garware Nylon (10)	64.00	24.50	1.80	42.00	41.50	4.3
Gwalior Rayon (10)	88.00	53.50	2.20	70.50	73.00	3.0
Indian Rayon (10)	144.00	65.00	2.40	125.00	125.00	1.9
JK Synthetics (10)	118.00	51.70	1.50	113.00	105.50	1.4
Mafatlal Ind. (125)	400.00	235.00	22.00	387.50	388.75	5.7
Nirlon (10)	73.00	37.00	2.25*	50.00	51.00	4.4
Reliance Ind. (10)	252.00	121.00	4.00	338.00	373.00	1.1
S I Viscose (100)	285.00	170.00	15.00	185.00	220.00	6.8
Standard Mills (100)	475.00	272.00	12.00	395.00	390.00	3.1
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	162.50	165.00	12.1
Ballarpur (10)	68.00	43.00	2.20*	56.00	55.50	4.0
Bhadrachalam (10)	36.00	20.50	N.A.	30.50	28.50	...
Jayant Paper (10)	28.00	13.50	2.00	17.00	17.00	11.8
Orient Paper (10)	101.00	59.00	2.00	82.50	82.50	2.4
Steel						
Mukand (10)	54.00	21.75	N.A.	42.00	44.00	...
Tata Steel (100)	1255.00	379.50	21.00	1397.50	1315.00	1.6
Zenith Steel (10)	78.00	27.50	2.50	90.00	76.00	3.3
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	20.50	20.00	...
Ferro Alloys (100)	275.00	125.00	12.50	300.00	280.00	4.5
Hindustan Alum (10)	94.00	51.00	1.35*	85.00	81.00	1.7
Mahindra Ugine (10)	49.00	27.00	N.A.	61.50	30.00	...
Engineering						
Antifric Bearings (10)	50.00	21.50	1.40	19.75	20.00	7.0
Associated Bearing (100)	800.00	435.00	20.00	720.00	710.00	2.8
Atlas Copco (10)	72.00	35.00	1.20	69.00	68.00	1.8
Bharat Forge (10)	90.00	29.00	1.80*	60.00	59.00	3.1
Bharat Gears (10)	60.00	27.50	1.80	33.00	32.00	5.6
Blue Star (10)	92.50	32.50	2.00	82.50	80.00	2.5
Elecon (10)	108.00	54.50	1.70	88.00	93.00	1.8
Greaves Cotton (100)	350.00	202.50	17.00*	255.00	275.00	6.2
Hind Lever (10)	128.00	50.75	2.40	147.00	145.50	1.6
Ingersoll Rand (10)	365.00	159.00	3.50	427.50	402.50	0.9
KEC Int. (10)	40.00	24.00	1.25	22.00	21.00	6.0
Kinetic Engg. (10)	380.00	128.00	2.50	275.00	275.00	0.9
Kirloskar Cummins (100)	753.50	500.00	15.00	610.00	505.00	3.0
Kirloskar Oil (10)	36.00	19.50	1.25	15.00	16.50	7.6
Larsen & Toubro (10)	193.00	72.00	2.40	180.00	178.00	1.3
Mahindra & Mahindra (10)	102.00	47.50	1.80*	61.50	59.50	3.0
Otis Elevator (10)	215.00	85.00	2.50	110.00	105.00	2.4
Premier Auto (100)	650.00	310.00	21.00	772.50	750.00	2.8
Pressure Cookers (10)	49.00	25.00	1.90	35.00	35.50	5.4
Tata Engg. (100)	1030.00	406.00	23.00	656.00	630.00	3.7
Voltas (100)	470.00	358.00	10.00*	255.00	235.00	4.3
Automobiles						
Bajaj Auto (100)	2075.00	865.00	30.00	2575.00	2525.00	1.2
Bajaj Tempo (10)	280.00	143.00	2.50	120.00	107.50	2.3
Escorts (10)	102.00	45.75	2.20	97.00	95.00	2.3
Motor Industries (100)	815.00	321.25	15.00	800.00	800.00	1.9
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	210.00	175.00	5.7
Bajaj Electricals (100)	340.00	115.00	20.00*	527.50	540.00	3.7
Bharat Bijlee (100)	300.00	105.00	16.00	420.00	420.00	3.8
Crompton Greaves (100)	350.00	257.50	10.00	280.00	280.00	3.6
Peico Electronics (10)	103.00	38.50	2.00	53.50	50.50	4.0
Siemens India (10)	87.50	38.00	1.40	78.00	74.00	1.9
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	48.75	45.00	26.7
Bayer (100)	480.00	320.00	18.00	505.00	540.00	3.3
I.E.L. Ltd. (10)	80.00	32.70	2.00	68.00	66.00	3.0
Colour-Chem (100)	335.00	185.00	12.00*	262.50	270.00	4.4
Cynamid (10)	80.00	35.00	25.00*	67.50	62.50	40.0
Glaxo (10)	75.00	23.75	1.80	69.00	69.00	2.6
G S F C (100)	895.00	534.00	24.00	1505.00	1440.00	1.7
Herdillia Chem (10)	67.00	25.50	1.80	41.00	43.00	4.2
Mafatlal Dyes (10)	33.00	23.50	1.70	24.00	26.00	6.5
Mangalore Chem (10)	50.00	19.50	N.A.	48.50	48.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	295.00	282.50	5.7
Indian Organic (10)	141.00	50.25	18.00*	71.00	68.00	26.5
Pfizer (10)	100.00	39.00	2.00	92.00	91.00	2.2
Polychem (50)	181.00	60.00	10.00	107.50	107.50	9.3
Sandoz (10)	80.00	31.00	1.40	69.00	71.00	2.0
Sandvik Asia (100)	575.00	340.00	10.00	630.00	600.00	1.7
Tata Chem. (10)	155.00	64.50	2.50	108.00	108.50	2.3
Warner Hind (10)	75.00	36.00	2.50*	67.50	73.75	3.4
Zuari Agro (10)	94.00	46.00	2.25*	90.00	89.00	2.5
Shipping						
Chowgule (10)	16.50	5.00	N.A.	7.00	7.00	...
Great Eastern (10)	34.00	14.25	0.70	24.25	24.25	3.0
Scindia (20)	21.50	7.00	N.A.	8.50	8.50	...

BOMBAY

Name/Industries	1985 Price range High (Rs.)	Low (Rs.)	Dividend per share (Rs.)	Opening 5-5-86 (Rs.)	Closing 16-5-86 (Rs.)	Yield %
Cement						
A C C (100)	610.00	380.00	20.00	245.00	243.50	8.2
Digvijay Cement (100)	230.00	180.00	20.00	200.00	180.00	11.1
Mysore Cement (10)	48.00	30.00	1.75	30.00	27.00	6.5
Raaci Cement (10)	60.00	31.00	1.80	30.00	30.00	6.0
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	195.00	200.00	8.0
Blow Plast (10)	122.00	44.00	2.50*	108.00	109.00	2.3
Colgate (10)	318.00	143.50	7.00*	218.75	222.50	3.1
East India Hotels (10)	53.00	25.50	2.00	48.00	46.50	4.3
Garware Manne (10)	33.00	14.00	1.40*	13.00	14.50	9.7
Gujarat Alkali (10)	65.00	38.00	2.50	58.50	62.00	4.0
Harri Malayalam (10)	76.00	38.00	2.50	50.00	45.00	5.6
Indian Hotels (10)	135.00	77.00	2.50	130.00	130.00	1.9
I.T.C. (10)	59.80	29.00	2.25	74.00	68.00	3.3
Lohia Machine (10)	85.00	43.50	2.00	52.00	56.25	3.6
Ponds (10)	218.00	103.00	4.50	230.00	240.00	1.9
VST Ind (10)	38.50	21.00	2.30	31.00	27.00	8.5
Wimco (10)	71.00	38.50	2.00	61.00	58.50	3.4

CALCUTTA

Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	14.70	14.75	6.8
J. K. Cotton (10)	64.00	18.00	1.20*	67.00	64.50	1.9
Kesoram Ind (10)	85.00	52.00	2.35	73.00	68.00	3.5
Jute						
Birla Jute (10)	105.00	51.50	1.85	48.50	48.75	3.8
Reliance (10)	—	—	1.75*	49.00	48.00	3.6
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	93.00	92.00	2.4
Indian Oxygen (10)	66.30	42.75	2.00*	55.10	52.50	3.8
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	20.75	20.75	7.2
Guest Keen (10)	35.25	20.00	0.50	17.30	17.25	2.9
India Foils (10)	78.00	38.75	2.00*	75.00	69.00	2.9
Macneil Magor (10)	250.00	127.00	12.00	33.75	33.00	36.4
Metal Box (10)	25.00	11.50	0.80*	16.50	18.75	4.3
Union Carbide (10)	38.00	16.75	0.50	27.60	24.10	2.1
Usha Martin (10)	48.00	26.00	1.60*	33.00	33.00	4.8
Tea						
Basmatia (10)	44.75	35.25	3.00	25.00	30.50	9.8
Brooke Bond (10)	83.00	46.50	2.50	86.50	81.50	3.1
Tata Tea (10)	177.00	64.00	5.00*	105.00	76.75	6.5
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	106.50	105.00	1.7
Davy Ashmore (10)	30.00	18.25	1.50*	28.56	28.56	5.3
English Elec (10)	114.00	70.00	3.50	119.00	120.00	2.9
Hindustan Motors (10)	127.00	37.10	2.00	49.25	47.50	4.2
Remington Rand (10)	80.00	36.50	2.00	73.25	35.25	5.7
Uni Cables (10)	65.00	26.50	1.50	68.00	72.25	2.1

DELHI

Amrit Banaspati (10)	48.00	15.00	1.20*	32.00	35.00	3.4
D C M (25)	82.00	48.25	3.75	39.50	38.50	9.7
Escorts (10)	102.00	45.75	2.20*	97.00	95.00	2.3
Goetze India (10)	61.00	21.00	1.80*	48.00	46.00	3.9
Jagatjit Cotton (10)	—	—	1.40*	76.00	75.00	1.9
Kelvinator (10)	105.00	49.00	1.60	72.00	71.00	2.3
Modi Industries (10)	87.00	16.50	1.80	39.00	39.00	4.6
Prakash Tubes (10)	24.50	18.00	1.50	23.00	23.00	6.5

AHMEDABAD

Anil Starch (100)	225.00	147.00	18.00	205.00	202.50	8.9
Aruna (100)	200.00	105.00	15.00*	127.00	134.00	11.2
Atul Prod. (100)	667.00	311.50	20.00	472.00	466.00	4.3
Bharat Vijay (100)	255.00	167.50	10.00	260.00	185.00	5.4
Calico (125)	235.00	108.00	N.A.	104.00	111.00	...
Cellulose Prod. (100)	—	—	8.00*	90.00	90.00	8.9
Guj. Steel (100)	300.00	140.00	15.00	220.00	215.00	7.0
Mafatlal Ind. (100)	390.00	235.00	22.00	408.00	416.00	5.3
Vallabh Glass (100)	275.00	105.00	22.00*	105.00	105.00	21.0

MADRAS

Aluminium Ind. (10)	17.00	5.00	1.50*	8.25	7.50	20.0
Amrutanjan (10)	—	—	3.50	110.00	110.00	3.2
Andhra Cement (10)	—	—	1.50	19.50	19.00	7.9
Ashok Leyland (10)	58.00	25.00	1.80*	28.50	27.50	6.5
Enfield India (10)	101.00	45.00	2.00	50.00	51.50	3.9
Indian Cement (10)	46.00	20.00	2.00	24.00	26.50	7.5
Kothari Ind (10)	34.50	19.00	1.20*	14.50	14.85	8.1
Madura Coats (10)	69.00	27.25	2.50	56.00	54.00	4.6
Mysore Lamps (10)	84.00	40.00	2.50	70.00	61.00	4.1
Textool (100)	265.00	182.00	18.00	264.00	265.00	6.8

* Latest Available

Gainers	Between 5th May and 16th May
ACC(100)	+ 5.00
Andhra Paper(10)	+ 0.50
Atash Leasing(10)	+ 8.50
Bajaj Auto(100)	+15.00
Bihar Alloys(10)	+ 1.00
Bombay Dyeing(25)	+13.00
Birla Jute(10)	+ 2.00
Century Spinning(100)	+10.00
Escorts(10)	+ 1.00
Essar Shipping(10)	+ 3.00
Ficom Organics(10)	+15.00
Garware Polyester(10)	+ 4.00
Glaxo(10)	+ 1.00
Guj Alkali(10)	+ 5.00
GNFC(10)	+ 8.75
GSFC(100)	+25.00
Gwalior Rayon(10)	+ 4.50
Hind Lever(10)	+ 3.50
Hind Motors(10)	+ 0.50
Hero Honda(10)	+ 6.00
Ind. Rayon(10)	+ 5.00
Larsen & Toubro(10)	+ 7.00
Modi Rubber(10)	+ 1.50
MICO(100)	+50.00
Mukand(10)	+ 6.50
NOCIL(10)	+52.50
Orkay(10)	+17.50
Pfizer(10)	+ 7.00
Pr. Auto(100)	+27.50
Reliance(10)	+35.00
SPIC(10)	+ 5.50
Standard Mills(100)	+ 2.50
Tata Chemicals(10)	+ 5.00
Zuari(10)	+ 3.00

Losers	Between 5th May and 16th May
Ambalal Sarabhai(10)	− 1.50
Assam Frontier(10)	− 6.25
ASEA Ltd.(10)	− 3.00
Bata(10)	− 1.00
Brooke Bond(10)	− 2.00
Deepak Fert.(10)	− 1.00
EI Hotels(10)	− 2.00
Hind Cocoa(10)	− 2.50
Hind Alu(10)	− 2.00
Indian Organic(10)	− 1.00
Ingersoll(10)	−20.00
JK Synthetics(10)	− 0.50
Kesoram Ind(10)	− 2.25
Lakme(10)	− 5.00
Searle(10)	−15.00
TISCO(100)	−52.50
TELCO(100)	−15.00
Tata Tea(10)	−19.50
WIMCO(10)	− 0.50

BusinessWorld
May 26—June 8, 1986

Indian commodity prices

Commodity	Variety/Centre	1985 High	1985 Low	Prices as on May 2, 1986	Prices as on May 16, 1986
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	275.00	280.00
Rice	Sela-Hapur	319.00	261.00	299.00	320.00
Gram	Desi-Bombay	607.50	437.50	460.00	412.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	643.00	621.00
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	16,408.00	13,962.00	16,484.00	18,070.00
Mustard (tin)	K.Ghani-Delhi	197.50	174.50	210.00	240.00
Coconut	Cochin	31,750.00	14,700.00	21,300.00	20,000.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,700.00	5,700.00
Angles	75x75x6mm	6,900.00	5,550.00	6,400.00	6,300.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,615.00	4,625.00
Lead	Bombay	1,265.00	1,210.00	1,450.00	1,450.00
Ferrous scrap (per tonne)					
Heavy melting	No.1-Bombay	2,500.00	1,950.00	2,750.00	2,750.00
Re-rollable	Bombay	4,325.00	3,275.00	4,250.00	4,275.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	175.00	178.00
Caustic	Flakes	385.00	300.00	350.00	385.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	58.00	59.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on May 2, 1986	Prices as on May 16, 1986
Gold	London	$/ounce	343.10	342.50
	Zurich	$/ounce	343.40	342.60
	Hong Kong	$/ounce	330.80	342.80
Silver	New York	Cents/ounce	510.00	503.50
Copper (w.bar)	London	£/tonne	911.00-913.00	910.00-912.00
Soyabean oil	Chicago	Cents/pound	18.65	17.78
Palm oil	Malaysia	$/tonne	535.00	530.00
Castor oil	Rotterdam	$/tonne	855.00	845.00
Black pepper	Singapore	$/quintal	820.00	910.00
Rubber	Malaysia	$/tonne	179.00-180.00	180.00-181.00

Edible oil price spurt

A hardening tendency in edible oil prices was the highlight of trading in the Indian commodity markets during the fortnight ended 16th May.

Edible oils. Led by an increase in groundnut oil prices, edible oil prices firmed up over a broad front. The sentiment was boosted by a reportedly sharp fall in the production of groundnut seeds in Gujarat during the current summer season. The acreage under groundnut in this state, which is considered to be the groundnut bowl of the country, is reported to have been reduced drastically to around 30% of what it was last year. Consequently the summer crop this year is not expected to exceed 50,000 tonnes as compared to around 1.70 lakh tonnes produced during the last season. Groundnut oil prices shot up by over Rs. 1,500 per tonne during the fortnight. Prices of other edible oils also moved up in line with the increase in groundnut oil prices.

Foodgrains. Rice prices continued to rule firm on export demand. Pulses however exhibited a downward trend. The increased supply of the new crop pushed down gram prices by around Rs. 40 per quintal.

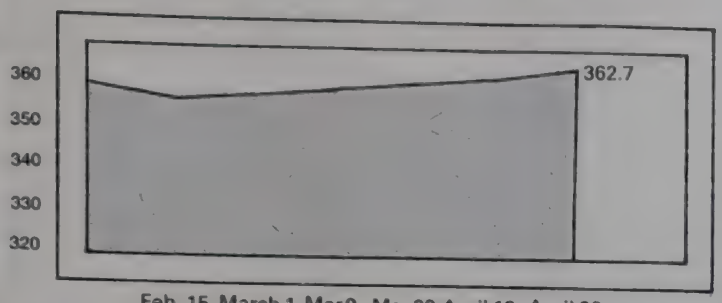
Sweetening agents. Sugar prices tended to react on lack of demand at higher levels. *Gur* prices ruled quietly steady.

Fibres, yarn. Rayon yarn prices were weak on account of the continued price war between National Rayon and Century. Nylon yarn prices also tended to move down on account of the comfortable supply position and poor demand. Polyester filament yarn prices remained quietly steady.

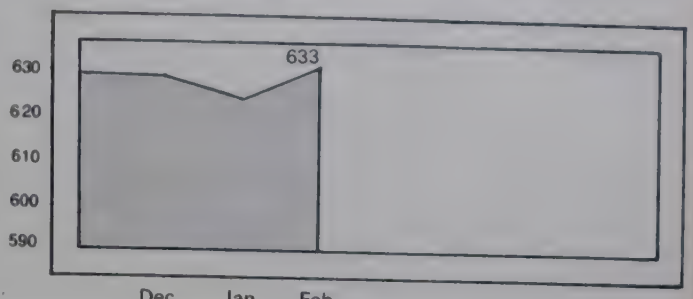
Steel, metals. Steel prices were subdued due to reduced demand, particularly from the engineering sector. Non-ferrous metal prices ruled fairly steady in restricted trading.

Dyes, chemicals. Among chemicals, caustic soda looked up on better demand. The local demand for caustic soda has been picking up after the hike in the import duty on it. Soda ash prices ruled quietly steady.

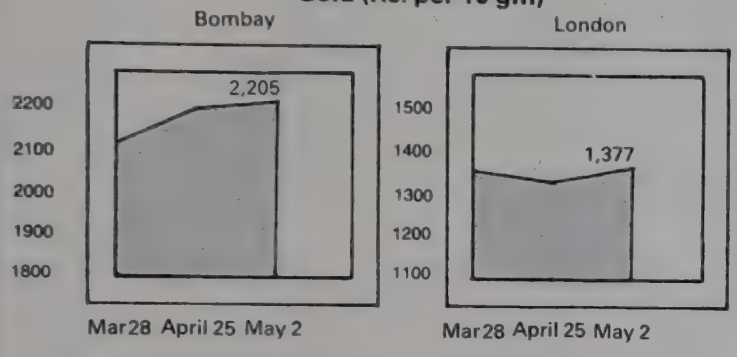
Wholesale Price Index (1970-71=100) 1986



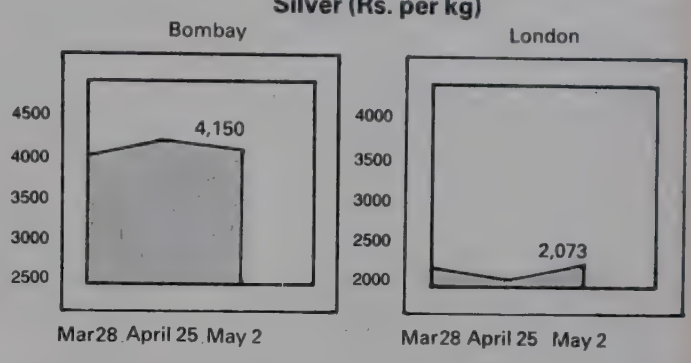
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 13th May 1986

	One month	Three months	Six months	One year
Sterling Pound	10.50	10.31	10.00	9.69
US dollar	7.06	7.06	7.06	7.19
West German Mark	4.63	4.63	4.63	4.63
Japanese Yen	4.75	4.69	4.69	4.69

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 April 26	1986 April 25
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

***Money Supply (M3)**	**(Rs.crores)**	**% change over**	
April 11, 1986	1,19,196	Fortnight	+1.7
March 28, 1986	1,17,149	Year	+16.2
April 12, 1985	1,02,630	Two years	+34.9

**** Aggregate Deposits**	**(Rs.crores)**	**% change over**	
April 25, 1986	88,417	Fortnight	+0.4
April 11, 1986	88,069	Year	+17.9
April 26, 1985	75,002	Two years	+40.4

***** Foreign Exchange Reserves**	**(Rs.crores)**	**% change over**	
April 25, 1986	5,706	Fortnight	−0.1
April 11, 1986	5,710	Year	−3.4
April 26, 1985	5,908	Two years	+22.0

Bank credit	**(Rs.crores)**	**% change over**	
April 11, 1986	81,192	Fortnight	+8.0
March 28, 1986	80,546	Year	+15.5
April 12, 1985	70,318	Two years	+34.7

Foreign Exchange Rates (Spot) 1986
Buying Rs.

	1986 May 2	1985 May 3
One P. Sterling	18.86	15.41
One US Dollar	12.47	12.64
One D. Mark	5.59	3.98
One hundred J. Yen	7.29	5.00

CSO Index of Industrial Production (1970=100) 1985

May	193.6	November	206.4
June	192.6	December	222.0
July	198.5	**1986**	
August	196.5	January	224.0
September	201.2	February	214.3
October	202.4	March	239.0

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*
** *Demand deposits plus time deposits with all scheduled banks*
*** *Including SDRs, excludes gold coins*

Pepsico's second try

Undaunted by the Union government's rejection of its proposal to link up with the R.P. Goenka group of companies for the purposes of exporting food products and importing cola concentrate with a part of the foreign exchange earned, the Purchase (New York)-based soft drinks giant Pepsico is making another determined bid to enter the Indian market.

The management of Pepsico (sales: Rs. 10,164 crores in 1985) is reportedly very keen to use India as a base for exports to West Asia and the Soviet Union. In these two parts of the world, Pepsico is a much better known brand name than that of its arch rival Coca Cola, which incidentally is ranked two places (43rd) below Pepsico in the latest *Fortune* ranking of the 500 largest US industrial corporations.

The Pepsico management is believed to have signed up with two Tata group companies, *viz.* Tata Exports Ltd. and Voltas Ltd. The former will export processed foods and commodities under the Pepsico brand name, whereas Voltas Ltd. will distribute a franchised cola drink to be marketed under a sound-alike name.

Enter Pond's

The heat of competition is building up in the fast growth toothpaste industry in which current smiles may wear a bit thin in the course of time. Reports filtering through from the corporate headquarters of the Madras-based Pond's (India) Ltd.(gross income: Rs. 66.66 crores in the year ended 30th June 1985), indicate that the company has finalised its plans to enter the toothpaste market in September this year.

According to the proverbial reliable sources, the product is to tout the brand name Sunrise and is being positioned as a herbal toothpaste.

Good old days

The statutory monopoly over the life insurance business of the mammoth Life Insurance Corporation of India (LIC — income: Rs. 2,519.99 crores in the year ended 31st March 1986) is dying a slow death. Though LIC does offer a policy holder's dependents the prospect of security in the event of his premature death, as an investment, an LIC policy is widely considered to be a dead loss because the corporation's returns on investment are probably the lowest in the world.

Nevertheless, given the poor returns on investment that the corporation offers to its vast captive clientele, pressure is building up within powerful public sector organisations in particular to promote alternative life insurance funds. For example, incensed by the raw deal which he believed army *jawans* were getting from the LIC, former chief of army staff, General Manekshaw, pushed through a proposal to start a separate Army Group Insurance Fund whose corpus has grown to over Rs. 1,000 crores. With the *jawans'* compulsory contributions canalised into high yielding debentures, bank and company deposits and government securities, the army is able to offer its *jawans* higher yields and bonuses than the LIC. Subsequently, an Air Force Insurance Society and a Naval Group Insurance Fund — both life insurance funds — have also been started. And now pressure is building up within the 16 million strong Central and state government bureaucracies for group life insurance funds of their own.

Looks like LIC's good old days are over.

Arvind's dilemma

With the financial institutions getting tough with such large family-dominated groups which are a patchwork of highly profitable and loss-making companies, Arvind Mafatlal, the low profile head of the group which bears his name, is in a dilemma. One of the companies in his group — Mafatlal Engineering Industries (sales: Rs. 46.17 crores in the year ended 30th September 1984) is deep in the red, having chalked up an accumulated loss of over Rs. 7.5 crores thus far. On the other hand, Mafatlal Industries, the flagship company of his group is doing well, thank you (net sales: Rs. 98.57 crores; net profit: Rs. 4.77 crores in the year ended 31st March 1985).

According to information filtering out from the financial institutions, the latter are pressurising him to either merge Mafatlal Engineering with Mafatlal Industries or to inject a healthy dose of finance into the ailing company. Mafatlal is reportedly wary of the merger idea as Mafatlal Engineering's sickness could prove to be contagious.

The alternative proposal, to wind up Mafatlal Engineering, is not practical either, given that the state government's permission is required to close down an ailing unit and this is unlikely to be given in the interests of job protection. Likewise, the option to sell the company is also unavailable as no one is likely to touch Mafatlal Engineering with a barge pole.

Open government!

The manner in which decisions taken by the new generation Rajiv Gandhi administration are communicated to the citizenry is surprisingly strange. A case in point is the controversial Arjun Sengupta Committee report on the management of the high-input-low-output public sector. In September 1984, Sengupta, then special secretary to the prime minister, was asked to submit a full-fledged report reviewing the national policy for public enterprises within the short space of three months. The mammoth nature of the task notwithstanding, the committee did submit its report by 31st December despite the fact that the assassination of Mrs. Gandhi crippled the working of the committee for at least a month.

Since then, for some strange reason the report has languished for more than a year. In fact even today it has not been made public by the government. Although considerable speculation has arisen in the press about the contents of the report, the manner in which it has surfaced is curious indeed. The entire report has been published in the form of a booklet by the CITU-affiliated trade union, the Steel Workers Federation of India.

The final bizarre twist is that two recommendations of the report pertaining to the length of tenure of public sector chief executives and the concept of the holding company, are believed to have been accepted by the Union government. The first indication of this acceptance came when a delegation from the Standing Committee on Public Enterprises (SCOPE) called on the PM and was told by him that he had accepted these two recommendations — a decision which has taken even senior bureaucrats by surprise.

This surprise has been succeeded by suppressed anger that the prime minister announces decisions at any forum and in a manner which smacks of supreme high-handedness. In this case, the fact remains that the Arjun Sengupta report has not been debated as it is still classified. So much for open government and the process of debate and discussion that the Rajiv Gandhi administration claims it encourages. For the new generation leaders, public sector reform is obviously not a matter of public interest.



Figured glass in 12 designs & Clear sheet glass

Clarity to privacy the complete range of elegance from TRIVENI

TRIVENI SHEET GLASS WORKS LIMITED
2, ST. GEORGES GATE ROAD • CALCUTTA 700 022
Phone : 45-0125 (3 Lines), Cable : DEVGLASS • Telex : 021-7700

GRIFFIN 63/86

You just can't beat a BAJAJ



The scooter that's clocked more than 10 million years on Indian roads

Sounds unbelievable, doesn't it? But it's a fact. There are nearly 2 million Bajaj scooters on the road today. Even considering just 5 years per scooter — and there are quite a few 18-20 year old Bajaj scooters — gives that 'unbelievable' figure — 10 million years!

All those millions of years on every possible type of road — city roads, 'kuchcha' roads, sometimes no road at all.

Ask any of those 2 million Bajaj owners and they'll tell you:

You just can't beat a Bajaj!

bajaj auto

Akurdi, Pune 411 035

Value for money, for

bajaj group

UNTAS BAJ 38 2821

BusinessWorld

e magazine for Indian business



Captain D. Bose,
managing director, Air-India

Air-India's journey into a new era

hanging dimensions of xecutive marriages

DCM TANDY 1000 is Clearly Superior™



FREE

DeskMate integrated multifunction software

for wordprocessing, electronic files, spreadsheets and more. Along with MSDOS, BASIC and a software package that teaches you how to use the DCM-Tandy 1000.

Daily appointment calendar with event reminder.

Monthly Calendar highlights current date.

Function Menu displays all your application files.

Simple key commands displayed for easy reference.

The difference between the ordinary and the best is amazing. And it's even more amazing how customers fall prey to the ordinary—with its lure of lesser price. The DCM-Tandy 1000 stands apart as extraordinary. The best. A true big blue chip compatible that's clearly superior—in quality, in features and support.

DCM-Tandy 1000—the # 1 choice

- ★ The result of close association between DCM and Tandy Corpn., USA.
- ★ Based on Tandy 1000—a best selling IBM PC compatible.
- ★ Runs virtually every program designed for IBM PC.
- ★ Brings to your popular IBM PC programs like Multiplan, dBase III, Versa CAD, Scripsit.
- ★ With DeskMate handling 6 key applications, you may never need to buy more software.
- ★ Easy to learn & use, DeskMate puts your computer to work from day one.
- ★ The only IBM PC compatible in the country with the following options.
  - — Choice of hi-resolution colour or monochrome monitors
  - — Cartridge tape for backup
  - — External Winchester disks
  - — Digitiser and plotter for CAD applications
  - — Colour printer
  - — A proven Local Area Network (LAN) called Via Net for peripheral sharing and more

All this backed by DCM's trusted support & service.

You don't buy a computer everyday. So when you do, buy the best. Especially when the best doesn't cost very much more

Technology supported by service

DCM data products



Contact: Mr. Ravi Aggarwal
Product Manager, (Business Systems),
DCM data products, Vikrant Towers,
4 Rajendra Place, New Delhi-110 008,
Tel: 5719967, 5711569, Cable: 'DECEMDEPE',
Telex: 03[illegible]1830

28, 520455 ★ Bombay-224239 ★ Calcutta-443538 ★ Madras-849520 ★ Bangalore-571004
-822256 ★ Pune-61618 ★ Ahmedabad-446187 ★ [illegible]

VOLUME 6, ISSUE 6, JUNE 9-22, 1986

BusinessWorld

the magazine for Indian business

Editor
Dilip Thakore
Assistant Editors
Debjani Sinha
Michael Neri
Special Correspondent
Binu S. Thomas
Calcutta
Special Representative
Sujoy Gupta
Delhi
Anand P. Raman
Bangalore
N. Raghavan
London
Seetha Kumar
Sub-editor
Indira Khanna
Art Director
Bipul Guha
Production
Mohan Nair
Layout
Mohan Nair
Hajoo Aslam E.

Editorial office
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone: 221178 & 241083

Head Office & Regd. Office
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700 001
Telephone 278000 & 274880

Regional Offices

Bombay
145, Atlanta
209, Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone 240581, 241083

Delhi
1/7 IENS Bldg
Rafimarg
New Delhi-1
385401 Ex. 37
383058 (Editorial)
Phone 389078 (Advtg)

Madras
Dents Garden, 18, Pattulos Road
Madras 600 002
Phone 89379 & 81713

Bangalore
14, Madras Bank Road
4th Floor,
Bangalore 560 001
Phone 568227 & 568228

London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC 4
Telephone 01-353-1821

Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

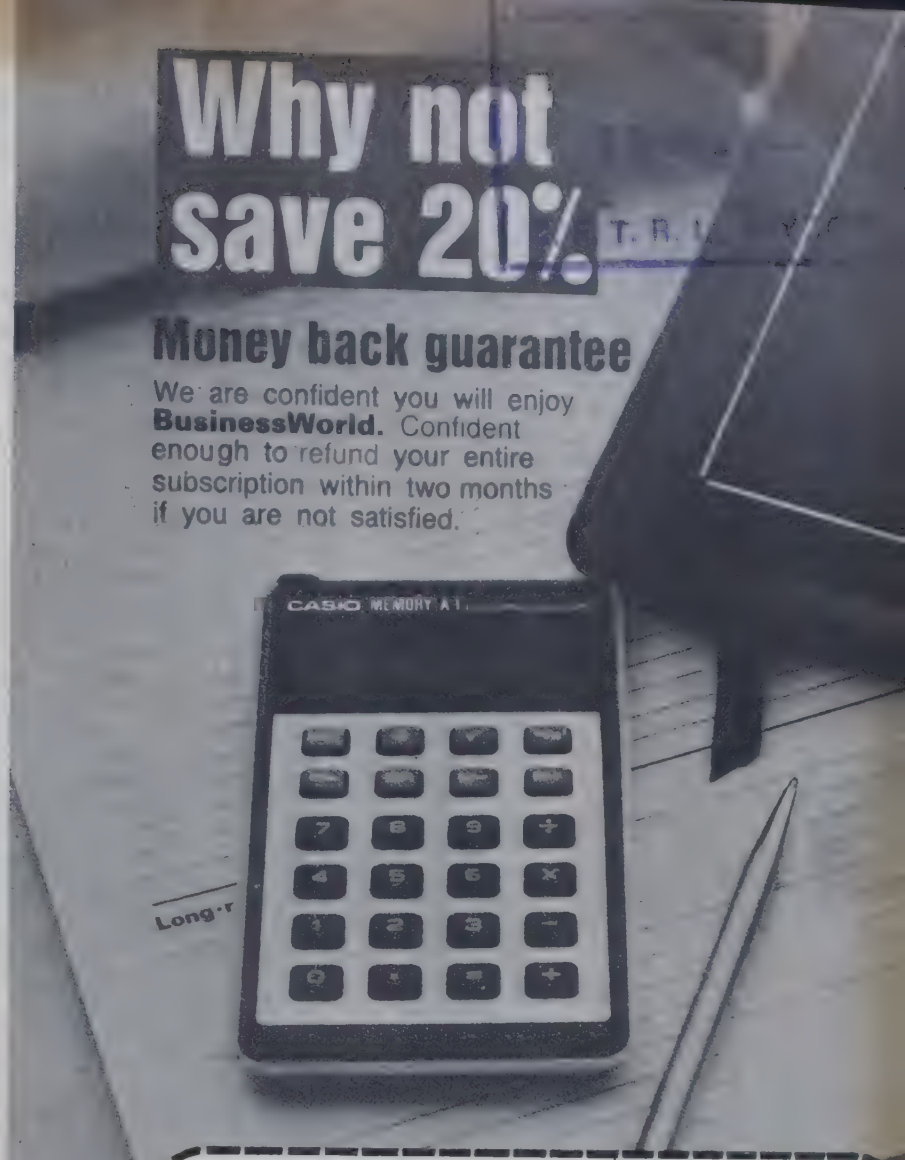
BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

Why not save 20%.

Money back guarantee

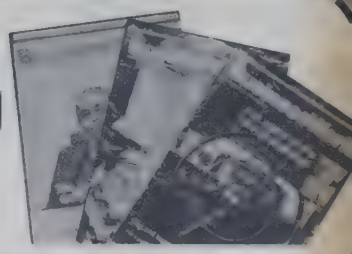
We are confident you will enjoy **BusinessWorld.** Confident enough to refund your entire subscription within two months if you are not satisfied.



Send me the following issues of

BusinessWorld
the magazine for Indian business

My cheque is enclosed



Mail my copy to _____

Name _____

Address _____

State _____

Pin code _____

Subscription Rate (In India)

One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

Please draw cheque in favour of
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700 001

Rs 3 extra for outstation cheques

Please tick
☐ One Year
☐ Two Years
☐ Three Years

World-Famous Libra Weighing and Bagging Machines for Industrial Applications:

Plastics, Chemicals, Pigments, Fertilizers, Potash and Salt.



PROGRAM INCLUDES

1 Tandem electronic scale
2 Automatic bag placer for empty bags (different systems)
3 Bag expanding device
4 Heat sealer
5 Bag conveyor
6 Bag tipping and turning conveyor
7 Loading conveyor



Bagging line for pre-fabricated, open-mouthed bags (cushion or gusseted type)

LIBRAWERK PELZ & NEGEL GMBH. BRAUNSCHWEIG, WEST GERMANY offers you a 80 years of experience in manufacturing Weighing and Bagging Machines—Fully Automatic, Semi-automatic with complete pneumatic, electric, electronic systems,

Weighing Capacity: Upto 1000 tons per hour

Bagging Capacity: Upto 1600 bags per hour

Working very closely with the client, we offer tailor made solution to your problems. We, infact, offer you a complete system on Turnkey basis—Devices for Material feeding, bag closing/stiching, control, Conveying, Pelletising, Our services include: Design, Engineering, Manufacture, Supply, installation and commissioning, Technical Training. All this backed up by a constant stock of spares and critical components.

Now we are in your easy reach thru our exclusive Indian Representative.

OUR STATISFIED CLIENTS INCLUDE:

1. *Fertiliser Corporation of India.*
2. *Fertiliser & Chemicals Travancore Ltd. (FACT).*
3. *Hindustan Lever Ltd.*
4. *Tata Chemicals Ltd.*
5. *DCM Chemicals Ltd.*
6. *Neyveli Lignite Corporation*
7. *KRIBHCO, Hazira*

PREM NATH MOTORS PVT. LTD.

(INTERNATIONAL OPERATIONS)

12, SCINDIA HOUSE NEW DELHI-110 001 GRAM: PREMOTOR

TELEX: 031-61765 PREM IN PH. 3312976, 3315891 (4 LINES)

KAVERI

The usually too-clever-by-half Air-India Maharajah — the feudal symbol of the national airline of the world's most populous democracy — is very much in the media limelight these days. At long last his fleet of five dangerously ageing Boeing 707s (average age: 20 years) is being given the quietus and is rapidly being replaced by a fleet of six fourth-generation Airbus A310-300 airliners. And the Maharajah is going to town advertising the fact.

But his royal cheekiness is also in the news for not entirely joyous reasons. For one, the natives who work for him are getting restless. Air-India's cabin crew, who are predictably unionised, have resorted to a 'work-to-rule' agitation on the issue of crew scheduling patterns throwing the airline's timetables out of gear. Another development on the industrial relations front is that the Air Corporation Employees Union, which had represented the rank and file of the airline's 17,458 employees for over three decades, is no longer the recognised union. It has been voted out in a secret balloting exercise and replaced by the Air-India Employees Guild which, ominously, is led by non-employees.

Nor is that the sum total of the problems that have suddenly loomed on the airline's radar system. Someone in the prime minister's think-tank — who should have his head carefully examined — has revived the hoary old idea of a merger of Air-India with the domestic monopoly, Indian Airlines.

Undeterred by the historical fact that a merger of the two public sector airlines under a common chairman was infructuously attempted in the late seventies and that most senior managers in both the airlines are opposed to the proposal, the prime minister's secretariat has persuaded the Union ministry of civil aviation to fall in line.

Each airline has a distinct corporate identity and culture. For many years under a private sector-style management despite being a public sector airline, and by virtue of having to compete in the tough international civil aviation marketplace, Air-India has developed its own distinct corporate culture characterised by world standard professionalism.

On the other hand, Indian Airlines has been a monopoly airline on the domestic air route network and its relatively sloppy culture reflects this. In the circumstances, there is a real danger that the Indian Airlines' culture would dilute Air-India's painstakingly developed professionalism.

These subjects — particularly the latter, which suddenly escaped from the prime minister's secretariat after this fortnight's cover feature was written — are not discussed in our cover feature. Instead, it discusses the now rapid though somewhat belated steps the Air-India management is taking — despite its numerous, uniquely Indian problems — to emerge as a front-rank world-class airline. It would be a pity if the airline's management is distracted while attempting to attain this entirely laudable goal.

And in our spotlight feature, assistant editor Debjani Sinha examines a social development which, with the passage of time, is likely to demand adroit management in the hearth and home.

Dilip Thakore

Cover transparency by S. Chandrashekar

IN THIS ISSUE



46 Air-India's journey into a new era
A flurry of activity on several fronts has spurted a fresh stimulus into the 17,458 employees of Air-India. *BusinessWorld* reports.



68 Changing dimensions of executive marriages
Corporate managements are somewhat belatedly waking up to the reality that executive effectiveness is to a significant extent dependent upon domestic felicity.

17 The uses of education
N.J. Nanporia is a former editor of *The Statesman* and *The Times of India.*
18 Islamic banking debate
Jahar Das is a Calcutta-based business commentator.
28 Project promotion lacunae
Narendra M. Apte is a Bombay-based commentator on business and economic affairs.
29 Tax raid rules
H.P. Ranina is a well-known Bombay-based advocate.
41 Limits of accountability
S.L. Rao is a Madras-based management educationist and consultant.
60 Changing face of PR
K. John Mammen is a Madras-based marketing consultant.
81 Products & processes
Ranjit Hira is the chief executive of Applied Technologies, Bombay.
84 Rumblings of discontent
Suhaini Aznam is a correspondent of the *Far Eastern Economic Review,* Hong Kong.
97 Wilkinson vs. Gillette
Feona Mcewan is a correspondent of the *Financial Times,* London.

5 Editorial
6 Letters to the Editor
9 Last Fortnight/Next Fortnight
17 Political Comment
18 Banking & Finance
18 Business News
28 Economic Comment
29 Taxation
31 In the News
41 Management
43 Careers
46 Cover Feature
60 Marketing
61 Books
64 Entrepreneurs
68 Spotlight
81 Technology
84 Letter from Kuala Lumpur
84 International News
97 Letter from London
99 International Briefs
100 Company News & Events
103 Investment
106 Stockmarkets
108 Commodities
109 Economic Review
110 Offstage

PHILIPS

What gets us selected to handle the nation's most prestigious assignments in audio communications?



When the sprinters raced to their golds at the Asiad '82 . . when India scored a thumping win over England at the Wankhede Stadium ... when an Arabian thoroughbred galloped to a jackpot at the Calcutta race course ... Philips Communication Systems helped announce the news to the excited spectators.

Leading in Audio Communication Systems
The Integrated Communication System at Asiad '82 was evolved after a detailed study of the composite communication requirements of the complete Sports Complex, with each sub-system being designed to meet pre-determined performance criteria.

Expertise in the field of design, systems engineering and installation combine to make Philips the leader in audio communications.

Wide Range of Audio Communication Systems
With an extensive range of Audio Modules, which can be configured to meet any audio communication requirement, Philips today can cater to the audio communication needs of a wide spectrum of users.

In addition, Philips has a range of Office Communication Systems including Digital Intercom Systems, Conference Systems and Dictation Systems.

For all your audio communication requirements, contact

Philips India, Electro-acoustics Dept., Block A, Shivsagar Estate, Worli, Bombay 400 018.

Performance that's sound. And the widest ever range in sound systems.

Philips Audio Communications. When it's Philips, you're sure.

CLARION/B/P/193/244

Philips – the trusted Indian household name for over fifty years

Bad start to the Seventh Plan but...

The Seventh Plan has got off to an indifferent start. In the year ended 31st March 1986 — the official figures relating to which are beginning to trickle in — the real net increase in the gross domestic product is unlikely to be more than 3.5%. The economy is back in the rut of the so-called Hindu rate of growth.

This rate of growth is substantially lower than the 5.2% average annual rate of growth of the GDP during the Sixth Plan period and also lower than the 4% recorded in 1984-85, though this is not particularly significant. The Sixth Plan's growth rates are computed with reference to a low base year (1979-80) when the economy's output contracted by over 8%, and hence the subsequent year's growth rates were somewhat inflated. Also, the partial failure of the monsoons over large parts of the country during 1985 resulted in a slight fall in agricultural production.

But of greater concern is the fact that the industrial sector as a whole recorded a growth rate of only 6.5% during the year under review, *cf.* a rate of 7% during 1984-85 and a Seventh Plan target rate of 8.3% per annum. And this despite the fact that the critical infrastructure sectors of power and coal recorded substantially improved performance during the year, and the policy regime was altogether more congenial for industrial growth.

Strangely, even the stockmarkets witnessed a major crash in early 1986 in the wake of presentation of the Finance Bill 1986, even though the overall impact of the provisions of the bill as finalised is by no means negative. All this must lead to the conclusion that either the indigenous industrial sector has grown excessively soft and unresponsive to new opportunities as a consequence of operating in an excessively sheltered and controlled atmosphere for decades, or alternatively that the new regime of liberalisations and incentives is not what its advocates believe it to be. This latter conclusion seems altogether more likely to be true.

Certainly, there is considerable justification in the argument that most of the liberalisations of the new generation Rajiv Gandhi administration remains paper legislation. Thus far industry has not benefited from the new regime of liberalised policies. But it is arguable that in the few instances where the benefits of new policies have trickled down to industry, their effect can only be manifest in the forthcoming financial year (1986-87) which could be a better year in terms of the rate of GDP growth. Consequently it would be somewhat premature to reject the thrust of the new policies on the ground that they are not producing results.

A new course

Unscrambling the economic mess, which is the harvest of three and a half decades of *neta babu* socialism, is likely to be a long haul exercise. In the interim, some comfort can undoubtedly be derived from the Rajiv Gandhi administration's willingness — indeed anxiety — to set a new course and in particular to dismantle part of the overgrown corpus of controls and disincentive based economic policies which have scotched the material aspirations of an entire generation. It is patently obvious that a drastic reversal of the sterile and self-defeating policies of the past three decades offers the only hope for the second generation of independent India's citizens attaining a more materially prosperous future.

Indeed, a case for the defence of the new policies is even more relevant now than when they were first announced, because these policies have inevitably run foul of deep rooted vested interests, particularly politicians and bureaucrats who see in the new policies a threat to their exercise of unbridled discretionary power and sources of illegitimate incomes.

Take for instance the mounting criticism of the liberalised import policy, which has had the entirely predictable outcome of widening the trade gap to an unprecedented level of Rs. 7,000 crores in 1985-86. That increased imports, especially of capital goods and industrial raw materials and components, is a necessary precondition to increased exports and to greater competitiveness in the world markets has been quietly down played by the innumerable critics of the policy.

Fortunately, the Rajiv Gandhi administration is under no immediate pressure to revert to the status quo ante. And the chances are that — the rain gods willing — 1986-87 is likely to be a better year on the whole than the preceding one, and therefore the critics will be silenced by the results as they unfold. This prognosis is supported by a host of indicators, all of which point to an upturn in the economy in the forthcoming year.

Perhaps the single most important indicator of the basically optimistic mood within the economy — notwithstanding the growing public disillusionment with the political ineptitude of the administration — is the fact that the stockmarkets have turned bullish once again and that the capital markets mobilised a record Rs. 3,500 crores during 1985-86 *cf.* Rs. 2,500 crores in 1984-85. The expectations are that the markets will mobilise Rs. 5,000 crores in 1986-87.

Better growth prospects

The other major indicator of the economic health of the nation *viz.* the performance of the infrastructure sector, also points towards better growth prospects. During the first four months of 1986, power availability increased by 9% over the corresponding period of the previous year, while coal production increased by over 6%. By extrapolation, the power bottleneck should be less narrow in the forthcoming year and thus industrial production should respond positively.

The overall picture is unfortunately not all positive, and there are enough causes for worry as well. The serious drought over much of the Deccan plateau, the imminent repayment of the IMF loan, and the worsening political situation in Punjab point in the direction of lower growth in 1986-87.

Yet, in the final analysis, the new policy regimen has just begun to alter structural balances within the economy in the direction of unfettered growth, the full benefits of which will begin to flow only towards the end of the Seventh Plan. Growth prospects for the period 1986-87 are therefore not as bright as they could have been, and there is a possibility that the Seventh Plan targets will remain unattained.

Yet, to backtrack on the wholly desirable and overdue liberalisation and modernisation thrust of the economy, is certain to jeopardise not only the Seventh, but the Eighth Plan as well. To say nothing of the modest material hopes and aspirations of yet another generation of free India's citizens.

In defence of Sarin

SIR—This refers to your Cover Feature 'The pleasures and perils of the job hoppers' fraternity' (*BW* April 14-27). As a Voltas manager who had the opportunity to observe closely both the pre-Sarin and the Sarin eras, I feel compelled to make the following submissions:

Firstly, I was a little surprised that you picked R.C. Sarin as your principal example of a 'job hopper.' I think the fact that the man stayed and grew with a single organisation for a quarter of a century, reflects to some degree the stability of his professional character. And from what I recall, he brought the same sense of long-term commitment to Voltas.

Secondly, the phrase "the corporate body rejecting externally injected organisms" did not quite seem to ring true. As a matter of fact, an opinion poll a year after Sarin took over would have shown a very high morale level as the capable finally began to see hope, and the incompetent finally began to feel insecure. Even his strongest detractors in Voltas will concede that Sarin is indeed a gifted professional with exceptional leadership qualities, very clear vision and a strong result orientation. He was certainly able to fire the imagination of the company upon taking over.

Of course, Sarin made some mistakes (and quite characteristically he was the first to admit them), but temporary setbacks were used to create a "wave of disillusionment." I cannot help drawing a parallel with your Political Comment article in the same issue where you speak about temporary setbacks being used by media pundits to engineer a similar "wave of disillusionment" against the Rajiv Gandhi government.

Quite significantly, a further parallel is that the Rajiv Gandhi government, in the process of change-management, is having to carry with it, in your own words, "the sterile opinions and advice of a has-been generation... "

May I submit that the commitment at the top to change Voltas from a sluggish, segmentalist, managerial company to a sharp, integrative, entrepreneurial one was not strong enough. Further, there can only be one chief executive at a time and when you bring in a change-agent, you have to have the courage of your convictions to see things through. Chrysler Corporation stomached the initial boat-rocking, but Voltas did not. The results speak for themselves.

Dharen Chadha
Bombay

My attention has also been drawn to the remark in our Cover Feature that the word 'cashiering' has been used in connection with Mr. Sarin's resignation. The use of the word is unwarranted because, as is well known, Mr Sarin resigned and was not sacked or cashiered. We apologise for the embarrassment this turn of phrase may have caused Mr. Sarin—**Editor**

Not respectable

SIR—Apropos your Cover Feature 'Manners and morals in Indian industry (*BW* March 31-April 13). Ever since the raids are being publicised in newspapers and magazines, the persons being raided are always referred to as "respectable persons."

I do not know what is "respectable" about such gentlemen. Is it just because they have collected a lot of money? Then I think anybody who has lots of money collected by whatever means should be entitled to be prefixed as "respectable."

I am sure the custom authorities are unearthing a lot of "respectable" people who have gold biscuits and bricks.

K. Kumar
Delhi

Quality-export seminar

SIR—We seek the courtesy of your columns to convey an important message on 'quality assurance' to your readers.

Quality control is now defined as an "effort to satisfy customer expectations." For export growth it is important to know customer expectations and develop tools and methods to satisfy them.

The Indian Association for Quality and Reliability (IAQR) has therefore chosen the theme 'Quality programmes for export growth' for their forthcoming 7th National Convention to be held in Pune. A number of experts from the quality control and export marketing fields in India and abroad will participate in the deliberations.

We invite papers on the above theme to reach us before 30th June 1986. A copy of the first announcement giving the programme outline is available from the secretary, IAQR, Pune branch.

V.G. Malkhare
Secretary
Indian Association for
Quality & Reliability
1013/14 Tilak Road, Pune 411030

NRI complaint

SIR—I would like to bring to your attention the delay experienced by non-resident Indians (NRIs) in getting share certificates from companies which have collected full allotment money from us. Many companies such as Maheshwari Proteins, Sagar Soya Products, Organic Chemoils, Varinder Agro Chemicals, Usha Microprocessor Control,etc., have not sent share certificates to non-residents even after one year since the time they have collected our money. And none of the companies have bothered to even reply to shareholders' enquiries, though on personal enquiry one comes to know that it is the non-receipt of RBI permission that is holding up the export of share certificates.

The pity is that companies such as Organic Chemoils, Varinder Agro Chemicals, etc., have not even obtained bank certificates so as to apply for RBI permission. Apart from not sending annual reports, dividend warrants, etc., companies such as Maheshwari Proteins, Organic Chemoils, Sagar Soya Products have not even informed us about subsequent rights issues. While one can appreciate the justified concern among residents that too many facilities are being offered to NRIs, has anyone bothered to at least look at the long list of companies that put the blame on RBI for everything and give a raw deal to non-resident shareholders?

But to be fair, I must also admit that there have been some companies such as Eicher Motors, Cifco Finance, etc., which have been very prompt in sending share certificates. Our controller of capital issues is so busy approving new issues including rights issues of companies that have yet to declare a dividend, that he has no time to reply to our complaints.

N. Kanakasabhai
Jeddah, Saudi Arabia

Baseless allegations

SIR—We would like to point out that in your In the News 'Nitco's export woes' (*BW* February 17-March 2), the allegations made by Mr. Manohar Lal Sood, managing director of Nitco Construction Materials Pvt. Ltd., Bangalore, about the quality of white portland cement produced by JK White Cement Works, Gotan, are baseless. We would, therefore, request you to publish some of the below noted features of JK White Cement:

(1) JK white cement is the end pro-

duct of strict quality control at all points and is produced with technical assistance from F.L. Smidth, Denmark, the world leaders in the cement industry.

(2) The quality of JK white cement not only conforms to the ISS: 8042E, but is also far superior and matches international standards.

(3) The ever rising demand for JK white cement from the reputed tile and paint manufacturers is indicative of its superior quality, scientific packing and excellent service. We are also the recipient of an international award for the best packaging.

(4) Owing to this edge over other brands, we have become the largest seller of white cement in the country, and have also bagged export orders as the product is well recognised in the world market.

Nitco Tiles seems to have resorted to the media for creating a case for the restoration of the *status quo ante* as far as the levy of import duty on white portland cement is concerned. It is a very well known fact that despite import restrictions on white cement, some traders have illegally imported white cement and legal proceedings were taken against them for breach of import laws.

In spite of all legal action having been taken for breach of the said laws, the importers bore the legal consequences and sold the cement at very hefty prices, thereby almost ruining the indigenous white cement industry. It was for these reasons that the Central government correctly decided to raise the import duty to 100% to curb these nefarious and unlawful activities of the importers of white cement.

BusinessWorld would do well to throw light on the subject after it is thoroughly investigated.

M.J. Kapur
Sales manager
JK White Cement Works
Kanpur

Crocodile tears

SIR—The Spotlight article 'Modi Xerox battles the odds' (*BW* March 3-16), lets Modi's cat out of the bag.

I would like to invite debate by way of letters on this topic from professionals and industrialists in the xerographic field.

The president of the company, Dr. Modi, sheds crocodile tears while choosing to blame the government, particularly the customs and excise department, for having earned a major share of their product value in the form of customs and excise duty. The company director, M.S. Caprihan has separately declared that Rs. 70,000 is the aggregate duty (approximate) in their product priced at Rs. 1,33,000.

If the statements of the Modi Xerox officials are true and correct, then the government may have lost revenue to the tune of Rs. 3.75 crores in the fiscal year 1985-86, which is as worked out from the declared figures by Modi Xerox in the said article.

I hope the honourable collector will investigate this huge loss of revenue, if it does not wish to attract wilful and erroneous allegations from a joint venture group in search of publicity. The capacity licensed being 9,500 machines per year, in future years the government may lose well over Rs. 15 crores per year if an immediate investigation is not conducted.

Paul Saldhana
Bombay

Reliance's callousness

SIR—I would like to bring a problem to your kind notice, for publication in your esteemed magazine. Perhaps, you would assist us in getting our debentures/shares and benefits thereof, from Reliance Industries Ltd.

We had purchased 55 debentures of the third and fourth series on 31st January 1983 from H.P. Mehta & Co., New Delhi. We paid a sum of Rs. 9,697 by cheque No. 788144 on 1st January 1983 drawn on Syndicate Bank, New Delhi, as consideration and handling charges of the said debentures to the said brokers.

After repeated approaches to Mehta & Co. and letters written to Reliance Industries as well as a personal meeting with a visiting company official at New Delhi, only 15 debentures of series III have since been transferred to our names during August 1984, i.e. after more than one and a half years. A registered letter written by our attorney to Reliance on 27th April 1985 for most urgent and immediate action still remains unresponded till date.

Since it is three years from the date of payment, we feel frustrated on account of the callousness on the part of the company, which is causing a great financial loss and mental agony to us. It is needless to mention that since the date of purchase of the above debentures, a lot of benefits have been given in the form of rights, bonus issues, etc. It looks that the company is intentionally evading its responsibility towards small investors.

You are requested to kindly help us in getting our legitimate benefits in respect of the purchase of the above debentures from Reliance Industries, through H.P. Mehta & Co.

A.L. Gupta,
New Delhi

We invite the management of Reliance Industries to explain—Editor

Inadequate exposure

SIR—I refer to the Spotlight feature 'Airbus' battle for the skies', (*BW* February 17-March 2). As someone associated with the airline and hotel industries for many years and one who has followed the history and progress of airlines' marketing, I was most interested to read the story, particularly at a time when both Indian Airlines as well as Air-India have opted for different versions of the Airbus.

BusinessWorld must be congratulated for its sense of timing, but perhaps the story deserved greater prominence and exposure which could have been achieved if it had been the cover story of your publication.

J.R. Jagtap
Director (headquarters)
Hotel Corporation of India Ltd.
Bombay

Competitive militancy

SIR—This has reference to your Political Comment article 'Pandering to obscurantism' (*BW* March 17-30) by Arun Gandhi. It is deplorable that Rajiv Gandhi who, on assuming prime ministership, called for whole-hearted efforts at ushering in an era of freshness and liveliness on all fronts pertaining to socio-economic affairs, is a party to the defamation of the judiciary over the recent Muslim personal law case.

Those opposed to the Supreme Court judgement in the Shah Bano case should have gone back to the court, to a full bench if necessary, with all the arguments they could muster and sought a reversal or at least a moderation of the original judgement. Instead, they organised violent rallies, made repeated attacks on the judiciary and even burnt the effigy of the former chief justice of India in the heart of Delhi.

It cannot but be disturbing that the tough yet calm and quiet prime minister of November 1984 is giving in to undesirable sectarian pressures exerted by an assertive group and thus a potential communal cauldron has been stirred

up all over the country. Sectional appeasement can only give rise to other sectional pressures and if the trend continues, the prime minister will soon be caught in a vice of contending demands pressed with competitive militancy. Immediately after the introduction of the controversial bill, Mr. Gandhi was enthusiastically applauded by a Muslim League MP who said, "Our community stands grateful to you."

Is the prime minister ready to earn similar accolades from the RSS or the Vishwa Hindu Parishad by banning cow-slaughter or even reviving *suttee*?

Anupam Sett
Calcutta

Painful contradiction

SIR—I have just seen an Offstage report (*BW* April 28-May 11) entitled 'Tata Tea's shopping list.' You are right when you complain that Tata Tea has not talked to *BusinessWorld* but, I assure you, it was not because Tata Tea "has a lot to hide," but because there was nothing of importance that we had not already reported to the public.

I hate to have to contradict anything appearing in a magazine under your editorship but, in the instant case, I must state that we are not looking at the takeover of ailing companies and certainly none which the report names. Our efforts are currently concentrated on strengthening our own operating base and improving the quality of life of our workers.

I stand by what I promised you that at an opportune time we will cooperate with you to do a special feature on Tata Tea.

D.S. Seth
Chairman, Tata Tea Ltd.
Bombay

Iacocca infatuation

SIR—A great magazine like *BusinessWorld* seems to be infatuated with a great 'has been' called Lee Iacocca. With something similar to a teenage crush, the starry-eyed magazine is idolising the man who was once great. What with cover blurbs in bold colours, the Iacocca column is obviously a prize catch (or so it appears).

What the man did at Chrysler Corporation was indeed a miracle. A grateful America and almost the whole world applauded his achievement. His bestseller autobiography also brought him lots of money. However, now, everything does not seem right about the superman.

First he assumed the role of a messiah charged with the responsibility of solving all the economic problems of the United States. When he did not succeed in this, he began turning against the American bureaucracy.

Iacocca gets fired from a job and promptly despatches a full page rebuttal to *BusinessWorld*. Why the best Indian business magazine should publish him is beyond my reasoning. 'Volunteerism virtues' (*BW* April 28-May 11) was even worse than his ramblings about 'Putting America back on the rails' (*BW* February 3-16).

His dismissal from the Statue of Liberty Commission is purely his personal matter or, at best, of some relevance to Americans. But then, how many good American magazines give such coverage to the personal, corporate or even political fights of Indians?

I urge you strongly, sir, to stop the Iacocca column, unless, of course, you want to reproduce excerpts from his educative book or lessons from the good work he did at Chrysler.

Krishan Kalra
New Delhi

Memories of a Melody

SIR—In the Marketing column (*BW* April 28-May 11), Walter E. Vieira in his article 'A double edged weapon,' refers to the 'Melody collection' of designer fabrics from Reliance.

I would like to bring to your notice that such a 'Melody collection' does not exist. It should be the 'Sweet Memories collection' of designer fabrics. 'Melody' is the name of a chocolate toffee from Parle.

I wish the author had taken adequate care to avoid such a glaring error.

Vijay Nagrare
Mudra Communications Pvt. Ltd.
Ahmedabad

A little caution, Walter!

SIR—Walter Vieira, in his recent Management article 'Hard lessons' (*BW* March 17-30), has made some rather sweeping statements which need correction.

He has cited Oil of Olay (and not Ulay) as an example of the erroneous use of statistics and demographic data. RHL, incidentally, is a very professionally managed company with a very competent marketing team. I am sure they must have put a lot more research into Olay, rather than mere 'statistics' and 'demographics' as suggested by Mr. Vieira.

Mr. Vieira has totally discounted the 'me-too' product strategy by saying that imitation of innovation does not take one very far. However, when a firm lacks marketing talent and/or adequate resources, it may be beneficial to take advantage of the general awareness created by the innovator. With a 'me-too' product, a firm can get a decent share of the market, especially if the product is priced slightly below that of the innovator's. (The various smaller detergent manufacturers who followed in Nirma's footsteps are a case in point).

Mr. Vieira's contention about brand names also appears erroneous. It is the entire advertisement and promotional package that gives the product an image and not mere brand names. According to him, Sharp instruments would mean kitchen knives instead of calculators. Besides, no marketer considers brand names as 'little things.'

I request Mr. Vieira to answer the above points, or exercise a little caution the next time he writes on marketing topics.

J.S. Daboo
Bombay

Walter E. Vieira replies: *It is true that Oil of Olay (Ulay was a typographical error) is marketed by a company with a strong marketing set-up. But this does not always guarantee product success. It maximises the chances of success. All of us know that well-oiled marketing machines like Levers, Procter & Gamble and Bristol Mayers have had their share of miscalculations from which both they and others have learnt. If you consider Oil of Olay a marketing success (I don't) in India, then of course it is a different matter.*

The number of errors that have been made in choice of brand names, can only lead one to conclude that perhaps adequate attention is not paid to choosing the brand name—or pre-testing it. It is unlikely that good marketing men would have given the matter adequate thought, and still made errors. The examples I gave were of trade names as I perceived them as a consumer. Your perception may well be different.

The purpose of the article was not to show how products have failed—but to show how any of us can fall into the quicksands of marketing practice if we are not extra careful, particularly in the unforgiving and demanding environment of today's marketplace.

It was kind of you to have spared the time and effort to write.

MAY 17

The International Monetary Fund reduced the rate of interest from 7.87% to 7%. The new rate will be applicable to purchases, the extended fund facility, cereal imports and buffer stock financing facilities (*BS*).

India and Angola agreed to establish embassies and also to set up a joint commission for economic cooperation (*FE*).

MAY 18

The high-powered committee on stock exchanges in India has recommended the setting up of an apex body called the Council for Securities with adequate power to coordinate, integrate and monitor effectively the working of all stock exchanges in the country (*ET*).

MAY 19

The Maharashtra government has imposed a ban on recruitment of government servants for a period of one year (*BS*).

South African security forces raided the African National Congress bases in Zimbabwe, Botswana and Zambia.

MAY 20

The Union minister for Industry, N. D. Tiwari, inaugurated the Small Industries Development Fund which has a corpus of about Rs. 2,500 crores.

The Oil and Natural Gas Commission has entered into an agreement with Vietnam for exploration of hydro-carbon reserves in that country's offshore areas (*FE*).

MAY 21

The Union finance ministry ruled out any reduction in excise duty on tyres at this stage. The tyre industry contributes about Rs. 500 crores annually to the Central exchequer by way of excise duty (*FE*).

MAY 22

The Union cabinet has cleared the proposal for starting air taxi services in the private sectors (*BS*).

MAY23

A division bench of the Calcutta high court set aside a lower court's order asking Peerless to wind up business under the Prize Chits and Money Circulation Scheme (Banning) Act of 1978 (*BS*).

Union Carbide has requested a period of 60 days for preparing and submitting the company's response to the order (13th May) of the federal district court, New York, which stated that the Bhopal case should be tried by Indian Courts (*ET*).

MAY 24

The Union government has permitted the Bombay Suburban Electric Supply Ltd. to set up a 500 Mw power station at Bassein near Bombay (*BS*).

The Central Railway's Pen-Roha rail link was inaugurated by S. B. Chavan, chief minister of Maharashtra.

MAY 25

India will reportedly save Rs. 1,500 crores in foreign exchange in the import of crude and petroleum products during 1986-87.

Over 30,000 runners in 16 Indian cities joined the "race against time" to raise funds to help the famine stricken people of Africa.

MAY 26

The Bombay Stock Exchange (BSE) authorities have decided to sell fresh membership cards to augment its revenues. Initially the BSE will sell about 30 new cards at about Rs. 10 lakhs each. The total membership of the BSE has remained unchanged at 504 since 1943 (*ET*).

MAY 27

The Bureau of Industrial Costs and Prices has urged the government to refer the issues of prices, discounts, trade and distribution practices of tyre manufacturers to a probe by the MRTP Commission (*ET*).

MAY 28

The Union government announced that 65 industries could substantially increase production capacities to achieve economies of scale. These include synthetic fibres, chemicals, drugs and engineering goods (*FE*).

Over 20 companies in the western region have decided to opt out of the 100% export oriented scheme (*FE*).

MAY 29

The minister of Petroleum and Natural Gas has decided to form a special cell for dealing with enquiries from foreign oil companies concerning the commencement of the third round of bidding for offshore oil exploration (*ET*).

MAY 30

Inaugurating the ninth public sector bank economists meet at New Delhi, the Reserve Bank governor R. N. Malhotra stressed the need for special efforts by the banks to improve their profitability and raise the productivity substantially (*FE*).

BS=Business Standard, ET=The Economic Times, FE=Financial Express

NEXT FORTNIGHT

June 13 to 16, 1986
Key areas in financial management
Venue: Hotel Blue Diamond, Pune
Organisers: Vision Associates, Pune

June 14, 1986
How to build a sound equity portfolio
Venue: Hotel Taj Coromandel, Madras
Organisers: Madras Management Association (Tel: 475800)

June 16 to 28, 1986
Leadership and organisation development-11
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad (Tel: 36952)

June 19 to 21, 1986
Financial aspects of marketing management
Venue: Hotel Taj Coromandel, Madras
Organisers: Madras Management Association (Tel: 478311)

June 25 to 28, 1986
Value engineering
Venue: Hotel Oberoi Towers, Bombay
Organisers: The Indo-American Society, Bombay (Tel: 2044882)

June 25 to July 5, 1986
Audiovisuals
Venue: St. Xavier's College, Bombay
Organisers: Xavier Institute of Communications, Bombay (Tel: 4151366)

APPOINTMENTS

ACCOUNTS MANAGERS

CMC Limited is a leading computer organisation providing a complete range of computer related services to users in India and abroad. The Corporation's primary objective is to act as a catalyst for the rapid introduction and meaningful utilisation of information technology in vital sectors of the economy.

Our turnover in 1985-86 was over Rs.40 crores, an increase of almost 100% over that in the previous year.

The Job

We are looking for Accounts Managers to be based at Bombay, Calcutta, Delhi, Hyderabad and Madras.

The job will involve heading the regional Finance and Accounts department, which entails management accounting, preparation and monitoring of regional budgets, financial costing and accounting controls, cash management, monitoring revenue collection and inventory accounting at the regional level and submission of MIS reports. The incumbent will be personally responsible for providing financial advice to the Divisional as well as to the General Managers besides dealing with statutory and government auditors. The position calls for a high level of responsibility in providing F&A support to the various operational functions of the company i.e. Field Engineering Operations, Systems & Software Consultancy, Materials, Research & Development, Exports, Systems Engineering, etc.

The Person

Applicants should be Chartered Accountants, Cost Accountants or MBAs with a specialisation in Finance and a minimum of 5 years of relevant experience. They should have a dynamic and progressive outlook towards management and financial accounting and should be fully conversant with modern concepts of financial management.

Criteria will be relaxed for scheduled caste/scheduled tribe candidates.

Salary and grade will be commensurate with qualifications and experience, but in any case will not be less than Rs.3500/- per month plus perks.

Apply within 10 days with complete biodata to:

Manager Finance

CMC Limited

(A Govt. of India Enterprise)
World Trade Centre
Cuffe Parade
Bombay 400 005

Envelopes should be superscribed "AM"

CMC... information technology to improve the quality of life for all.

APPOINTMENTS

A major multinational bank requires

COUNTRY TREASURER

for immediate placement

Bombay

Approx. Rs. 100,000 PA
+Housing, Car & Perks.

The Candidate should be around 30-35 years of age and possess a good Post-Graduate Degree in Economics, Finance or Management.

He, or she, should have about 8 years experience in banking of which, at least 5 years should have been in the Treasury or Investment Banking function of a large bank.

The job will involve managing the Country-Wide Treasury function and will include responsibility for Foreign Trading, Liability Management, Securities Trading and developing an active Investment Banking Group.

Besides the attractive remuneration package, the position also offers good growth opportunities.

Apply in strict confidence within 15 days to
Box No. 516, BusinessWorld, Calcutta—700 001.

APPOINTMENTS

OIL INDIA LIMITED REQUIRES

GENERAL MANAGER (ADMINISTRATION)

Oil India Limited is engaged in the business of exploration and exploitation of crude oil and natural gas and manufacture of LPG with its Fields Headquarters at Duliajan, Assam and Corporate Headquarters at New Delhi.

We are looking for a GENERAL MANAGER (ADMINISTRATION) to head the Administrative functions at Fields Headquarters at Duliajan, Assam.

The incumbent must have a very high level of leadership capability, professional integrity and high inter-personal skills. He must be an accomplished, mature person with dynamism and creativity. He must have 18-20 years' of professional experience in similar fields of which, at least 5-7 years' must be in a very senior position. He should be around 50 years of age.

He will head the administration group which includes Industrial Relations, Medical, Security Services and Public Relations etc. at the Fields Headquarters which has 950 executives and 7,500 workmen. He should be able to provide effective general administrative support, maintain proper industrial relations climate and good community and public relations, provide effective security services, and ensure appropirate medical and health services for the Fields. He will need to maintain contacts with State Government officers and liaise with them. He will need to ensure compliance of various laws and guide Company's Counsels and handle Tribunal/Court cases and other legal matters as a principal officer of the Company. He will need to maintain proper law and order situation in the Fields and act as the Estates Officer of the Fields.

The person we are looking for should have a post graduate degree in Business Administration/Industrial Relations/Social Sciences with experience in the field of Industrial Relations/General Administration, preferably with a degree in Personnel Management & Law. These stipulations of qualifications can be relaxed in cases of candidates who are otherwise exceptionally qualified and have excellent track of proven record.

PAY AND PERKS

The post is in Executive grade 'H' in the pay scale of Rs. 3500-100-4000 with Dearness Allowance linked to All India Consumer Price Index, present rate being Rs. 749.25 per month. Total emoluments at the minimum of the scale will be around Rs. 4500.00 per month. In addition, the Company offers liberal perks, like subsidised accommodation/water/electricity/ gas etc. medical benefits, conveyance allowance, LTC, CPF,Gratuity as per the rules of the Company.

Candidates meeting the above job requirements may apply giving details of the qualifications, nature of jobs handled, present emoluments, address for communication etc. together with a copy of recent passport size photograph, within 15 days of publication of this advertisement to:

DIRECTOR (OPERATIONS), OIL INDIA LIMITED, P.O. DULIAJAN, DIST. DIBRUGARH, ASSAM-786 602

A copy of the application is to be sent to the Officer-in-Charge, Tinsukia Employment Exchange, Tinsukia, Assam-786 125.

Applicants employed in Government, Semi-Government or Public Sector Organisations should apply through proper channels or produce a 'No Objection Certificate' if called for interview.

Candidates called for interview will be paid return single air fare for their journey in connection with the interview.

ONLY INDIAN NATIONALS NEED APPLY.

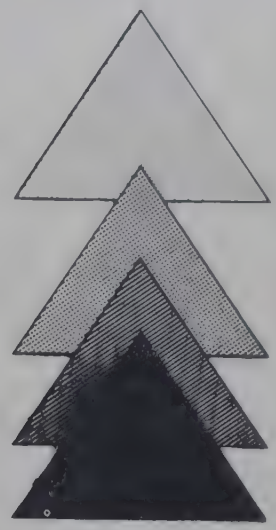
Advertisement No. PERS/17/86

Oil India Limited

A GOVERNMENT OF INDIA ENTERPRISE

APPOINTMENTS

MAZDA MARKETING & PROJECT CONSULTANCY



requires

a live-wire team for its enterprising operations.

MAZDA MARKETING & PROJECT CONSULTANCY. The dynamic new division of MAZDA LEASING LIMITED. Set up to identify viable projects and to implement them. To discover and diversify into areas with unlimited potential.

At Mazda Marketing & Project Consultancy, we offer a range of specialized consultancy services to trigger off entrepreneurial minds. Right from examining the techno-economic feasibility to commissioning and handing over manufacturing units for commercial production.

Besides keeping track of global tenders, Mazda Marketing specializes in pretendering services. The main aim is to look after the business interests of our foreign principals and the Mazda Industries Group.

Mazda Marketing & Project Consultancy needs experts who will run the division efficiently. Men with the experience and know-how to pave the way for a successful future.

Marketing Manager

Degree in Engineering, preferably with post graduation in Marketing Management or an allied field.

Responsibilities include developing marketing business for high value capital items required for petrochemicals, refineries and fertilisers, including on-shore and off-shore equipment. You will also identify new business areas with tremendous potential. This job, therefore calls for a high degree of understanding and reviewing of the market outlook and perfect communication with foreign principals.

Marketing Executive

Degree in Mechanical/Chemical Engineering. You will work on the promotional marketing of the product range manufactured by the Mazda Industries Group and the foreign principals

Project Engineers

Degree in Mechanical/Chemical Engineering 3-5 years' experience, with competent knowledge in machine tool selection, manufacturing processes, equipment such as reaction vessels, mixers, piping and electrical installations, etc. Exposure to project planning and cost control methods would be an advantage.

Design Engineers

Degree in Mechanical/Chemical Engineering. 3-5 years' experience in the project office of an engineering/consultancy organisation involved in machine equipment lay-outs, civil-structural lay-outs, piping and electrical installations. Responsibilities include acquisition of technical know-how on process equipment made available from our collaborators.

Remuneration

The Company's offer will be commensurate with experience and merit. The remuneration package will definitely not be a constraint for the right person

Please mail in your biodata within 7 days superscribing the envelope with the post applied for

Mazda Marketing & Project Consultancy

A Division of Mazda Leasing Limited

317 Maker Chambers V
221 Nariman Point, Bombay 400 021

Mazda Marketing & Project Consultancy
PROJECTING AHEAD

PAKA 1621 96 2

APPOINTMENTS

Bimetallic Steel & Alloys Limited is a Rs. 10 Crore Company situated near Hyderabad manufacturing Hi-tech cutting tools, H.S.S. and Stainless Steel and alloy steel strips and wires for various industrial purposes requires:

GENERAL MANAGER (OPERATIONS)

Rs. 6,000/- p.m. + Attractive Perks

The Candidate should be highly result oriented and competent professional with a proven track record of service. He will be reporting, to the Managing Director, will head the Operations Division of the Company including planning, production, quality control, R&D and personnel functions. The incumbent will be responsible for achievement of targeted growth and profitability of the Company. Besides a high degree of professional competence, aptitude for smooth industrial relations is essential.

Candidate should be around 45 years, with a degree in Mechanical/Metallurgical Engineering. Proven relevant experience of at least 15 years in Mechanical Engineering for process industry with emphasis on heat treatment is necessary. He should have successfully handled all the above mentioned functions and should have held an independent functional responsibility for the past 5 years.

Please apply in strict confidence with complete bio-data to:

The Managing Director,
Bimetallic Steel & Alloys Limited
1-2-54/4, Syamalasadan, Gaganmahal,
HYDERABAD-500 029.

APPOINTMENTS

We are large, progressive and a market leader in the field of Ceramic Glazed tiles, having plants at Thane and Dewas. We require the following personnel which has arisen due to the rapid growth of the Company.

I. COMMERCIAL EXECUTIVES:

The incumbents should be fully conversant with latest Import/Export Regulations/Policy, Excise, Sales Tax, Custom Duties and Clearance Procedures. They will have the total responsibility of all commercial and legal functions of the Company including civil, company law, MRTP and FERA. They shall be responsible for effective follow-up, liaison with Government and Semi-Government Bodies. Formal qualifications as a Company Secretary are essential. The applicants must be Graduates with minimum 10 years relevant experience.

II. PRODUCT EXECUTIVES:

The appointees will make a significant contribution in their areas in providing necessary thrust to the Company's ambitious growth plans. He shall conceptualise marketing strategies for existing products and also new product groups. Their creative input will add value to sales promotion, advertising and marketing research, etc. They will assist other marketing personnel in fulfilling the objectives in terms of profitability and sales growth.

The persons we are looking for would be around 30 years with minimum 5 years of experience in sales and marketing of a reputed consumer goods manufacturing company. They should be Graduates/MBAs or Diploma in Marketing.

III. CONTROLLER OF ACCOUNTS:

We are looking for a dynamic and professionally competent person. The selected candidate will be responsible for maintenance and finalisation of accounts, sales and purchase accounting, compliance with statutory provisions and other related financial matters.

Applicants must be Chartered Accountant, with minimum experience in the Accounts Department of a large Industrial undertaking.

IV. PROJECT EXECUTIVE (FINANCE):

The incumbent shall be responsible for profit planning, working capital, management and budgetary control with specialising in project accounting.

The candidate should be M.Com./C.A. with M.B.A. from any recognised University and should have minimum 5 years relevant experience with proven record and achievements.

V. ACCOUNTANT (TAXATION):

The incumbent would be responsible for looking after all matters pertaining to corporate taxation. The candidate should be a qualified Chartered Accountant having minimum 10 years experience in taxation in a large Company.

The remuneration for the above posts will be attractive and depends on qualifications and experience of selected candidates. It is, however, unlikely to be a limiting factor for the right candidate.

Please apply in strict confidence **within 10 days** to

Industrial Relations Manager
H & R Johnson (India) Ltd.
Post Office Wagle Industrial Estate
THANE—400 604.

APPOINTMENTS

CHANAKYA FINANCIAL CONSULTANTS PVT. LTD.

(Management & Financial Consultants)

Have been retained by a fast growing group, professionally managed having 100% export oriented Silk Fabrics Industry in Andhra Pradesh to select the following personnel.

GENERAL MANAGER TECHNICAL

The incumbent should be a Graduate/Post Graduate in Textile Technology. He should have 15 years' experience in Textile Industry in Senior Managerial position. Preference will be given to those having experience in Silk Industry. He should be responsible for production, factory management etc. should be result oriented in production, con-currently with quality. Age around 45 years.

MANAGER – MARKETING

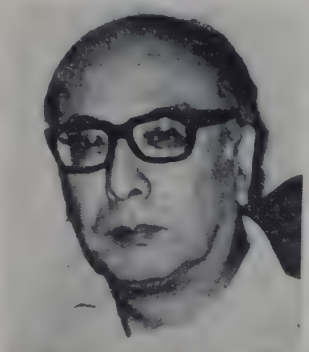
The incumbent should be an MBA, equipped with the knowledge of Textile Market. He should be totally involved in developing & implementing marketing plans for growth. An experience of 7 years in the similar position is essental. He should be result oriented, with ability to understand and execute, all import export licensing formalities, documentation etc. Age 35-40 years. Salary will not be a limiting factor for right candidate. Apply in confidence with full Bio-Data to:

THE DIRECTOR
CHANAKYA FINANCIAL CONSULTANTS PVT. LTD.
3464, DUNDOO VIHAR
RASHTRAPATHI ROAD
SECUNDERABAD-500 003

MAYURA/CFCPL/3-86

The uses of education

N.J. NANPORIA



Thousands of words have been expended on a discussion of the new education policy, but seldom is a distinction made between education as instruction and education as a character forming influence. The Planning Commission rather belatedly sees education as an "economic resource," there is a fussy debate on delinking degrees from jobs or linking them even more firmly than before, and the prime minister speaks of "job orientation" as one of the main concerns of the new policy.

Plainly the preoccupation here is with the acquisition of new skills, and undeniably this is both legitimate and necessary. It is also obvious to the point of banality. Polytechnic training, the ten-plus-two-plus-three system and the role of science in education are some of the principal heads under which a heated debate is often conducted. Arguably, there are two reasons for this.

One is Jawaharlal Nehru, with his highly developed sense of education as training. The other is an international climate which encourages the view that technology alone is the key to the future for any country wanting to "get on." Nehru, like others of his generation, inherited the liberal Victorian view that knowing and doing guaranteed one a position of security and profit in the world that was emerging from the industrial revolution. There was a recoil from any suggestion that education also consisted of a deliberate conditioning of the younger generation in the light of what is conceived to be the national character. Yet, if the Victorian period had a Samuel Smiles aspect, it was additionally the crucible in which the public school took shape — the nearest thing to an ideology-creating instrument the British have invented.

LITTLE EVIDENCE

As late as 1944 the British Education Act spoke of the statutory duty of contributing towards the "spiritual, moral, mental and physical development of the community." And even though in contemporary Britain there is little evidence of such a contribution, a recognition of its relevance has been kept alive. It is not only important that a young man should know how to handle technological equipment, but it is as important that in doing so he should be fired and motivated by appropriate inspiration. If, as everyone concedes, this nation has a vast potential of talent, it also has a similar potential for response that is waiting to be tapped.

There is, of course, occasionally a vague appreciation of this. Formal and dutiful references are made to "Indianness," "national identity," "commitment" and "traditional values," but these are forgotten no sooner than they are mentioned. Of what do they consist? Odd, that after four decades of independence no definition has been attempted, nor even an educational reform which clearly takes these into account.

We have, instead, been expected to make do with the banality of democracy — a word that is on every politician's lips as no more than a convenient testimonial to his political respectability. Democracy as a *mantra* and democracy as something procedural are two quite different things; and in accepting it in its second role, as an arrangement for accountability, we incline to extend this acceptability to the point of venerating it as an Indian ideology.

An instance of this the other day was the comment by a minister of state for external affairs that democracy is a traditional Indian system for which we are not obligated to anyone else. That is arguable. But that apart, after four decades of independence, has it in any way proved to be a source of vitality, dedication, commitment and belief? Obviously it has not.

Ability, on which education policies have so far concentrated, is neutral and unless allied to drive, can relapse into stagnation or worse. Granted that computer and technological wizardry has its place,it is not the whole answer, as can be seen from the economic "miracles" that have been achieved in such places as Singapore, South Korea, Japan, China and Taiwan — the "five dragons."

COMPREHENSIVE IDENTITY

Some of the political arrangements in these countries are repugnant to us. But none can deny that these "dragons" owe their achievements to something more than a "work ethic" and that a public philosophy founded on their traditional cultures is responsible for a cohesive sense of nationhood which India has yet to achieve as a part of its everyday normality. The degree to which business achievement, technological advance and such issues as Punjab, Assam and national integration are related to this decisive want of a comprehensive identity, does not seem to have been positively grasped. Yet, ironically, in the tribulations of the BJP we have an illustration, writ small, of a malady that applies to the whole nation.

'Ability, on which education policies have so far concentrated, is neutral and unless allied to drive, can relapse into stagnation or worse. Granted that computer and technological wizardry has its place, it is not the whole answer, as can be seen from the economic "miracles" that have been achieved in such places as Singapore, South Korea, Japan, China and Taiwan — the "five dragons" '

It is easy enough to jeer at a party which flits from "Gandhian socialism" to "integral humanism" and "positive secularism," and seems to repudiate and embrace the RSS ideology at the same time. It alone, however, is grappling with its political ambivalence and is appreciative of the enormous store of national vitality that can be released by the right kind of commitment.

True, unity, discipline, commitment, purposefulness and dedication can be subordinated to ends that are disreputable and negative, but these dangers are implicit in any experiment in national rehabilitation. The alternative is to go on repeating the feeble platitudes of the West while failing to mobilise the nation's ingenuity to shape an ideology acceptable to all communities. Seemingly, this is a long way from a policy on education, but the connection is absolute; and the inability to concede this has been a flaw since independence.

There is a moral to be derived from the fact that in computer-ridden, pragmatic Japan, the use of the traditional abacus is still taught in its schools,and the contents of its nationally prescribed textbooks are regularly and intensely debated.

BANKING AND FINANCE

JAHAR DAS

Islamic banking debate

Like the Islamic bomb, the phrase Islamic banking is also of recent origin. For revolutionary changes are taking place in the realm of finance in the theocratic state of Pakistan.

Islamic principles in the dim and distant past never permitted usury because the practice had acquired ugly connotations when the principles of Islam were being formulated. Loans were then obtained not by entrepreneurs to profit themselves and society as a whole, but by the very needy, particularly victims of drought, famine or personal calamities. The charging of interest, high or low, on loans in such tragic circumstances was considered irreligious — because taking advantage of someone's miseries is against the basic tenets of Islam.

In the new wave of Islamic fervour, modern banking practice, dependent as it is on interest exacted from borrowers, is not being looked upon with favour in several Islamic nations and some of them have attempted to do away with it. But how can banks function if their very source of substance is removed? Experts in these countries have been hard put to find an answer to this question.

New system. Pakistan, in step with the Islamisation of the country's political structure, began an experiment in Islamic banking four years ago. After operating the new system in a limited way along with traditional interest-based banking, the country is now poised to introduce full-scale Islamic banking based on the 'profit-loss sharing' (PLS) concept. In the PLS banking system, depositors, banks and borrowers share their profits and losses. The profit and loss is calculated from the time the money is advanced up to the time the investment bears fruit for the borrower, or in the case of a depositor, until the time the principal is repaid.

The PLS system has been working since January 1981. The five nationalised banks in Pakistan have since opened PLS counters side by side with the traditional fixed or time deposit counters. Profits earned by PLS funds, i.e. the profits accruing from all PLS transactions, are totalled up and after this pooling, a year-end rate of PLS return is announced.

The PLS system has worked impressively so far. In 1981, PLS profits in Pakistan were 8.5%-9%, far higher than the 7.5% interest paid on savings account deposits. Of the $ 6 billion (Rs. 7,200 crores) equivalent of deposits in Pakistan's nationalised banks until October 1982, about $ 8.6 million were in PLS accounts.

The most vocal dissenter of the introduction of the concept of Islamic banking is Nawab Haider Naqvi, who is the director of the Pakistan Institute of Development Economics (PIDE). He has criticised the PLS system as being complex, relying almost entirely on bureaucratic interpretation and therefore likely to have far-reaching consequences on the economy.

Certainly, the total switchover to Islamic banking in Pakistan will be difficult in the transition period. Islam has always maintained that the creditor does not take a risk while lending money, and thus it questions the justification of charging interest. But to date there is no model of any national economy functioning entirely under the PLS system. Pakistan's may be the first. In the Arab world Islamic banks do operate, but the non-charging of interest is not their *raison d'être*.

But even as a full scale switch to the PLS system is under way in Pakistan, Naqvi points out the pitfalls. His view is that if the interest-bearing banking system is un-Islamic, so is PLS banking because it ignores the right of savers while benefitting borrowers. Pragmatically analysing the situation, he says that since greater reliance is placed on accounting and auditing, the overhead expenses in the PLS system will be much higher. He also points out the even more sinister possibility of businessmen having a much freer hand. Managers could draw huge salaries and show them as expenses so that even when a company makes a profit it could show a loss.

Mere substitution. The basic tenet of Islam is to prevent the exploitation of the weak by the strong. The charging of low or legitimate rates of interest is not tantamount to exploitation. The PLS system, according to Naqvi, merely substitutes profit for interest.

BFI spokesmen, however, defend the official government line, saying that even if auditing and accounting costs are higher, the PLS system's allocation of resources will be better because BFI and other financial institutions will be in a position to utilise their funds more efficiently.

PUBLIC SECTOR

Breaking the stranglehold

Like the pieces of a gigantic jigsaw puzzle, the grand design of the Union government for rejuvenation of the public sector is slowly falling into place. Quite naturally, over the past year and a half, cynics have constantly complained that the right-of-centre Rajiv Gandhi administration has been so busy alternately wooing and fighting the private sector that it has done precious little to prod the sleepy state owned enterprises into action. The evidence that a blueprint for this purpose not only exists but may actually be in the process of being implemented is now trickling in, albeit in bits and pieces.

Quite recently, on 26th May, it was formally announced by the newly appointed minister of state for public enterprises, K.K. Tiwari, that a holding company for six of the units under his charge would be incorporated with its headquarters in Allahabad. With the flourish of a fresh entrant into the cabinet, the minister rather revealingly said that this was part of a larger plan for the restructuring of the public sector that has already commenced. Presumably, in the second phase, yet another holding company for the units now located in the eastern region of the country will be incorporated.

While this is the emerging profile of the department of public enterprises, it is also appropriate to recall that this itself is a fledgling department. It was carved out of the ministry of industry only in September 1985, at the time of the previous cabinet reshuffle. With 36 public sector units under its wing as well as the Bureau of Public Enterprises, which acts as a monitoring-cum-problem solving agency, this department is at last lending a degree of impetus to the revitalisation process, essential to the future of the public sector.

Whether it is doing so of its own accord or whether it is being prodded into reorganising the department-public sector interface, is a moot point. For as early as in April, it had been officially, even if informally, made clear that the prime minister's office had approved the concept of such holding companies in the public sector. And in the face of stiff opposition from large sections of the bureaucracy, the proposal has survived only because it has reportedly captured the imagination of the prime minister himself.

Long tenures. Around the same time, at one of those innumerable seminars that Delhi is always playing host to, the prime minister announced that all chief executives of state owned enterprises would in future be given five year terms of office so that they would have tenures long enough to show results. Quite clearly, the government is working to a plan, even if it has not put all its cards on the table.

Although spokesmen for the government may argue that these two decisions are unconnected with each other except for their common aim of aiding the public sector to earn its place in the sun, this is only a red herring. For, the strands of the tangled web being woven around the public sector have a common locus: the top secret report of the committee to review policy for public enterprises which is now readily available in the capital for a small price.

Commonly referred to as the Arjun Sengupta Committee report, as it was drawn up by a team headed by the former special secretary to the late prime minister, it makes specific recommendations along the same lines as the government is following today. This is a matter of considerable surprise because this report has had an extremely chequered history. Set up in September 1984 by the then prime minister Mrs. Gandhi, this committee had such heavyweights as D.V. Kapur, Dr. Bimal Jalan, Y.K. Alagh and even S.V.S. Raghavan among its ranks. It was given the task of analysing the performance of the public sector so as to identify its constraints and suggest measures to improve their functioning.

In a turn of speed normally not associated with such august committees, the Sengupta Committee submitted its report by 31st December 1984. By this time not only had Mrs. Indira Gandhi been shot dead, but Rajiv Gandhi had won the elections that were called shortly thereafter. In the period that followed, the report was put into cold storage without having even been seriously analysed. It was only a year later that a section of the prime minister's secretariat succeeded in getting the report out of the fridge and drew the attention of the powers-that-be to the framework it suggested for the overhauling of the public sector, whose continued non-performance could well burst the bubble of euphoria associated with the Rajiv Gandhi administration.

In fact, it was only when V.P. Singh announced his long-term fiscal policy that the criticality of the public sector performance really dawned. During the Seventh Plan the net surplus of the public sector is slated to rise from 2.5% of GDP in 1984-85 to as much as 4.1% by



Singh: development jeopardised

1989-90. Given his political predilictions, it would have been natural for the prime minister to initiate a crash programme of privatisation as Mrs. Margaret Thatcher has done in Britain.

Strategic role. But the consensus of opinion in government is that this is as yet not a politically feasible option. As Dr. Manmohan Singh, deputy chairman of the Planning Commission, said recently, "Fortunately, there is at present no strong demand for privatisation of public enterprises and in fact almost all political parties emphasise the strategic role of the public enterprise in our development. But a stage has been reached where unless the resource generation capability of public enterprises improves substantially, the development process will itself be in jeopardy." A rather more subtle but effective approach is suggested in the Arjun Sengupta Committee report.

The thrust of this report is on the central problem that public sector units in this country have always faced: their relationship with government. As S.M. Patil — for over two decades chairman of HMT and now a commentator on the public sector — puts it, "Even so, by and large the common denominator appears to be that the government ministries adopt the superior attitude of an owner and try to run the enterprises coming under their administration. While creating a myth of autonomy, all decisions pertaining to the state enterprises, even of operational nature, are made in the corridors of the government secretariat." The point is too well known to belabour.

In order to drastically slash these puppeteers' strings, the Arjun Sengupta Committee report has suggested a two-pronged strategy. It has suggested a three way classification of all public sector units. These are: (a) enterprises operating in the core sector (defined as consisting of coal and lignite; power; crude oil, petroleum and natural gas; primary steel production; fertilisers; primary production of aluminium, copper, lead, zinc and nickel; and the primary production of petrochemical intermediates); (b) financially viable enterprises in the non-core sector; and (c) enterprises in the non-core sector which are incurring losses.

Such a distinction is necessary, says the report, as it defines the basis for the government-unit nexus. "In our opinion, a careful dovetailing of all the plans of public enterprises and the national plan is required only in a few core sectors... In fact, in these sectors, a measure of Central intervention is required not merely in public enterprises, but also in similar private enterprises," reads the report.

As far as units which are not in the core sector are concerned, their plans would only be indicative, as is the case for all private sector units. The concept of autonomy, which implies empowering all non-core units to take decisions freely, based on economic considerations, has been strongly endorsed by the committee.

Appropriate structures. To ensure the functional autonomy of the public sector, the report also sought to suggest appropriate organisational structures. After an examination of the alternatives available, the report endorses the West European-type of socialist control — the holding company. As the report puts it, "The logic of the holding company structure is to introduce an intermediate level of management, i.e. the board of the holding company between the ministry and the companies, reconstituted as subsidiary companies."

To improve the operational efficiency of public sector units, the report suggests that the government should only set the

Our stamp collection is different philately.



Trust in our experience.

At the time of its formation in 1963, Simon-Carves India Limited inherited the rich experience of many decades of project engineering in India from its parent Company. Since then, SCIL has vastly widened its involvement in various major industries to serve the urgent needs of the nation. Take, for example, the first Low Temperature Coal Carbonisation Complex at Dankuni for Coal India Limited or the tallest Coke Oven Batteries assigned to us by MECON for Rashtriya Ispat Nigam, Visakhapatnam.

Everywhere the Company's expertise for immaculate planning, execution and access to the latest worldwide technologies have been successfully proven.

Indeed, whether it's the first sulphuric acid plant, set up on turnkey basis in Bahrain or, conversion of the conventional sulphuric acid plant for Coromandel Fertilisers Ltd., SCIL has earned a name for itself in the world of project development and construction, rendering comprehensive service to international standards—from concept to commissioning.

Yes, for SCIL stamp collecting is a commitment—Commitment to growth through tomorrow's projects.

SIMON-CARVES INDIA LIMITED

'Simon House', Transport Depot Road
Calcutta 700 027

Bombay Office : 'Nirlon House'
254-B, Dr. Annie Besant Road, Worli, Bombay 400 025

CLARION C SCIL 1

goals and targets for the holding company and receive periodic performance reports about its functioning, while the administrative reponsibility of the individual companies would rest with the holding company. Though critics have often tended to dismiss the concept as merely one which creates yet another layer of bureaucratic controls, this possibility has also been tackled.

If the report is implemented *in toto*, then the chief executive of the holding company would report directly to the minister himself. As a monitor of the economy puts it, "This is rather dramatic. If even the secretary of a ministry will have nothing to do with the running of the units then the entire bureaucracy is likely to be up in arms." In any case, at one stroke the extremely rigorous system of controls over the public sector has been done away with.

All that the holding company will do is to specify its investment plans, production, capacity utilisation, profits for a five year period and enter into a memorandum of understanding with the government on a mutually agreeable basis. Reciprocal obligations would also bind the minister regarding price fixation and investment levels, which if violated would not go against the holding company's track record. Insofar as the relationship of the holding company and its constituent units is concerned, it is reported that the government is all for as decentralised a system as possible, with controls resting with the constituent units themselves.

Fuzzy objectives. There is considerable evidence to prove that state owned units can be equally dynamic if freed from constant political interference. The objectives of the public sector have been deliberately kept fuzzy so as to justify considerable political shifts in policy, thus virtually rendering even top-level managers of private sector calibre, impotent. Even if the objective of all public sector activities is not to generate profit, an objective analysis of the social costs and benefits would allow managers working within them to optimise performance.

Be that as it may, the writing is on the wall: if the crucial Seventh Plan is to take wing then the public sector must rise like the phoenix from the ashes into which it has been immersed. Thus far, the overzealous hold of politicians and bureaucrats has proved to be the kiss of death for the public sector. It remains to be seen if the concept, paradoxically known as the holding company, will loosen this stranglehold.

Anand P. Raman in New Delhi

BANKING & FINANCE

Reliance loans fallout

These are parlous times for the indigenous community of bankers. This traditionally low profile fraternity has in recent times been making front-page news in the national dailies and for all the wrong reasons. For starters, there has been the spate of bank heists in Bombay — as many as seven in the past three months. What has made matters worse is that at the time of writing (29th May), not a single rupee of the Rs. 16.58 lakhs stolen thus far has been recovered, or any of the miscreants brought to book.

Equally damaging for the reputation of bankers has been a recent three part *exposé* published by the *Indian Express*, the nation's largest circulated English daily. The *Express* (15th, 16th and 17th May) has alleged that a dozen nationalised and private sector banks and four foreign banks have bestowed special favours on the promoter-managers of the country's fastest growing and most controversial company, the Bombay-based Reliance Industries Ltd. (sales: Rs. 711.35 crores in the year ended 31st December 1985), and in the process have grossly flouted Reserve Bank of India (RBI) regulations.

'Quite clearly, by disbursing massive loans to the directors of Reliance to enable them to purchase the company's debentures, the banks have flouted RBI regulations...'

According to the *Express* story, these 16 banks lent a total of Rs. 101.83 crores to a clutch of investment companies, all of which are closely connected with the Reliance management and its controversial chairman Dhirubhai Ambani in particular. This, according to the *Express*, enabled the Ambanis to fund the large-scale purchases of the company's 'E' and 'F' series of debentures (aggregate face value: Rs. 354 crores), which were issued in October 1984 and June 1985 respectively.

On the face of things, the use of bank loans to finance the purchase of debentures does not make much commercial sense. For while the loans are obtained at a rate of 17.5%-18% per annum, the return on debentures is only 13.5%-15% per annum. But according to the *Express* (author: Express News Service), "they (the investment companies) borrowed at a higher interest, knowing fully well that the speculative capital appreciation on the Reliance debentures, once a part of them was converted into shares, would more than make up for this high cost of borrowing."

High appreciation. According to the paper, the "speculative capital appreciation" could well be as high as 400% if the Reliance management is permitted by the government — as it has been on previous occasions — to convert the non-convertible portion of its debentures (par value: Rs. 327 crores) into equity shares. Consequently, in anticipation of the Reliance management obtaining permission to convert a part of these debentures into equity shares (the equity share of the company with a face value of Rs. 10 is currently quoted at Rs. 365), the market values of the E and F series debentures (face value: Rs. 100 each) were Rs. 221 and Rs. 149 respectively on the Bombay stock exchange (28th May). Repeated attempts by this correspondent to contact the top brass at Reliance for their side of the story were however unrewarded.

Meanwhile, the *Express* team of writers express outrage that several nationalised bank managements have aided and abetted the Ambanis in their "ingenious and brazen scheme to divert public funds to private ends." According to the reports in the daily, the RBI prohibits banks from lending for speculative ends and has recently warned the banks against doing so.

In its news analysis feature of 15th May, the *Express* cited an RBI circular (dated 31st August 1985) to bank managements saying "the current conditions of the capital market offer scope for speculative activity." The circular warns that "while the banks have been advised to continue to extend credit against shares on merits as part of their normal service to the community, we have been reiterating that banks should take into account the nature, purpose and need for such credit facilities and ensure that the bank advance is not used for speculative or other anti-social purpose."

Quite clearly, by disbursing massive loans to the directors of Reliance to enable them to purchase the company's debentures, the banks have flouted RBI regulations which stipulate that loans should not be disbursed for speculative activity. Again, they have also turned a blind eye to financial ratios such as the debt-equity ratio, which is usually considered before loans are disbursed to any company and which in the case of the

investment companies controlled by the promoter-managers of Reliance were already absurdly high.

Moreover, as the *Express* report — which is based on the investigations conducted by a group of RBI inspectors — points out, in many cases, senior bank officials rode roughshod over decisions taken by the banks' boards not to grant the advances asked for by these investment companies by doing just the contrary.

Discreet silence. Not surprisingly, given the serious charge of subversion of normal banking practice, most bank managements prefer to maintain a discreet silence over the matter. But as M.N. Goiporia (53), chairman and managing director of the Central Bank of India (which is not among the Indian banks implicated in *l'affaire* Reliance) and chairman of the Indian Banks Association — an apex body which has 85 banks as its members — diplomatically says, "In all cases relating to advancing loans against securities such as shares, the important thing is to ascertain the purpose of the loan and not the security of the collateral. Where the purpose is not paid attention to problems are likely to arise."

But while it may prove difficult for the banks concerned to justify to the government the special preference meted out to the Ambanis, it is also increasingly becoming evident that the rules were often flouted to attain organisational rather than personal ends. And although, as the *Express* report points out, personal kickbacks were involved, these were minuscule in comparision to what the banks gained in terms of deposits.

The Bank of India, for instance, which had advanced a loan of Rs. 9.5 crores to the Ambani controlled investment companies, obtained a deposit of Rs. 20 crores from the proceeds of the heavily oversubscribed Reliance debenture issues. Similarly, according to a reliable source, a French bank was offered a substantial sum of non-resident money as a deposit in return for a loan — an offer which the bank's management rejected. Again, as the *Express* report points out, at the time of according a Rs. 100 lakh loan to a Nikhil Investment Co. Ltd., Canara Bank asked the company "to obtain and submit an undertaking from Reliance Textile Industries Ltd., not to withdraw a deposit of Rs. 200 lakhs at least for a period of one year."

Indeed, by all indications the nationalised banks in particular were using their limited leverage — in terms of lending funds at commercial rates of interest — to secure the maximum advantage. Given the 'social obligations' heaped on the scheduled banks in terms of concessional rates of interest to the priority sector, etc., these banks are not in a position to lend more than 15% of their deposits at commercial rates of interest. At the same time, given the fact that the rate of return on bank deposits — 8.5% on fixed deposits for one year — is extremely unattractive in relation to what corporate paper, for instance, offers, banks are finding it increasingly difficult to mobilise deposits.

Consequently it has become a widespread practice among banks to sanction commercial loans only if the loanee mobilises deposits to be lodged in the lender bank's fixed deposit schemes.



Goiporia: deposit mobilisation problems

According to knowledgeable sources within the banking industry, this is precisely what transpired in the case of several investment companies controlled by the Ambani clan. As apex level managers of Reliance they had the discretion to deposit with various banks a substantial portion of the over Rs. 200 crores that the company had mobilised from the issue of its debentures, in return for loans to its associate companies.

Attractive stakes. But in the process of establishing this *quid pro quo* if a RBI rule had to be bent or a law broken, the banks were apparently not averse to it as the stakes were large enough and too attractive to be ignored. As far as they were concerned, it provided a temporary solution to the problem of deposit mobilisation which is getting worse by the day.

"Over the past few years, a number of competing avenues for deposits have opened up, which offer more attractive returns than bank deposits. These include corporate fixed deposits, debentures and now even public sector bonds. Consequently commercial banks no longer find deposit mobilisation easy," says Goiporia.

Indeed, even in relation to UTI units and national saving certificate schemes — which not only offer a return of over 10% per annum but income tax reliefs as well — the various bank deposit schemes are extremely unattractive. And with the ongoing boom in the stockmarkets, the commercial banks are finding, much to their chagrin, that their customers now prefer to invest their savings in the stockmarket, rather than keep them locked in bank deposits.

This is not entirely surprising considering that those who have invested their savings with commercial banks in the past have actually lost in the bargain. The Sukhamoy Chakravarty Committee, which recently examined the question of revamping the interest rate structure in banks, has observed that during eight of the last 13 years, the commercial banks have (after adjustment for inflation) given their depositors a negative return on their deposits.

Urgent need. This is why seasoned banking industry observers believe that the government — which fixes the rates of interest payable and receivable by banks — should take the lead in making bank deposits an attractive proposition once again. Comments Goiporia: "There is an urgent need to extend certain tax benefits which are accorded to those who invest in UTI units, for instance, to bank depositors as well. This will encourage people to deposit their savings with banks and this in turn will help banks to fulfil their social obligations more satisfactorily."

Quite clearly, the so-called Reliance loan *mela* has done precious little to bolster the sagging image of the commercial banks in the country. In fact it has done just the contrary. Nevertheless, in an indirect manner, it has focused attention on the deposit mobilisation problems being experienced by the banking sector as a whole and the nationalised banks in particular. Unless the Union government acts to ensure that depositors earn a fair (inflation adjusted) return on their deposits, the flight of funds out of the banks will continue and perhaps accelerate. In the circumstances, commercial banks will have little choice but to overlook RBI regulations as they scramble to raise deposits as they have done in the Reliance case, which has become a talking point in Bombay's corporate circles.

Yet, in the ultimate analysis, the so-called Reliance loan mela may well prove to be a decisive factor in precipitat-

ing some long overdue reforms in the interest rate structure which is crippling the country's nationalised banks in particular.

Binu S. Thomas in Bombay

AGRICULTURE

Silver lining in the Nilgiris

For the indigenous tea industry — India's single largest source of foreign exchange earnings — roller-coaster rides are all the norm. Yet the speed with which the car of rising prices has plunged downhill in recent months has not merely taken tea planters' breath away, but has precipitated a phase of depression. And the gloom is particularly thick in the south Indian town of Coonoor — headquarters of the south Indian tea industry which produced 25% of the national output of 657 million kg of tea in 1985-86.

On 6th May, the average price of tea auctioned at Coonoor fell to a seven year low of Rs. 11 for orthodox and Rs. 14 for CTC varieties respectively, and the signs and symptoms of a manic depression within the fraternity of south Indian tea growers are now palpably evident. Not only are these prices substantially lower than the average prices of tea grown in the north(Rs.19 and Rs. 22 for orthodox and CTC respectively), but against a background of rising production costs, almost all south Indian tea producers are now disposing off their teas at a substantial loss.

Comments B. Sivaram (45), an economic postgraduate of Delhi University, who is currently secretary of the United Planters Association of South India (UPASI), "The average cost of production of tea in south India is around Rs. 19-20 per kg *cf.* Rs. 17-18 per kg in the north, largely because of the substantially higher labour and fuel costs that prevail in south India. Hence, at currently prevailing tea prices, most tea planters in south India are selling at a loss of between Rs. 6-9 per kg. If prices do not rise soon, a majority of the growers and processors in south India will be pushed out of business."

If Sivaram's diagnosis of the causes of the current downslide in prices is valid, then the time is nigh for a large number of planters who grow the leaf that cheers in the salubrious climes of the deep south. According to him, a sharp fall in the volume and value of tea exports in recent months is the main cause of plunging domestic tea prices.

Sharp decline. "India is the world's largest producer of tea, and exports approximately 25% of its produce. South India, which produces a little over a quarter of all the tea produced in India, is even more dependent on exports, since it sells over 35% of its annual produce abroad. But the south Indian tea planter fraternity's export base is very narrow: the Soviet Union, the United Arab Republic and Iraq purchase over 85% of the south Indian tea exported. Unfortunately, demand in these three large markets has declined sharply during the last five months, resulting in a glut of tea in the south Indian markets and a consequent decline in prices," he explains.

According to Sivaram, the total volume of exports of south Indian tea during the first four months of 1985 aggregated to 20 million kg *cf.* only 14.2 million kg during a comparable period of 1986. The fall in demand has been the sharpest in the Soviet Union (from 13.7 million kg in January-April 1985 to 9.6 million kg in January-April 1986). And the Egyptians and Iraqis seem to have cut down their intake of tea as well. Exports to Egypt fell from 2.5 million kg during January-April 1985 to nil during the first quarter of 1986, while to Iraq they halved from 2 million kg to 1 million kg over the same period.

"Unfortunately, there's little that we can do to rectify this situation," says Sivaram,"because exports to these three countries are canalised through state-owned importing agencies in these countries. And for reasons which are as yet unclear, these agencies have decided to cut back on tea imports. Since private marketing efforts are ruled out, the Union government should have intervened and initiated state-to-state level negotiations. But the commerce ministry does not seem to have done this."

In the meanwhile, growers and producers are examining the other options open to them, *viz.* of increasing exports to other nations on the one hand and of cutting production costs on the other. There is, however, little optimism within the industry that exports to the larger traditional tea markets of the UK, US, North America and Oceania (Australia and New Zealand) can be boosted in the short term. Indeed, over the last decade, per capita consumption of tea has declined steadily by approximately 1% per annum in the two big markets of UK — which imports a whopping 150 million kg of tea annually — and in the US, which trails behind the UK, with an aggregate consumption of 75 million kg. And in Europe and Oceania as well, though per capita consumption growth is negative, aggregate consumption has increased by barely 1% per annum.

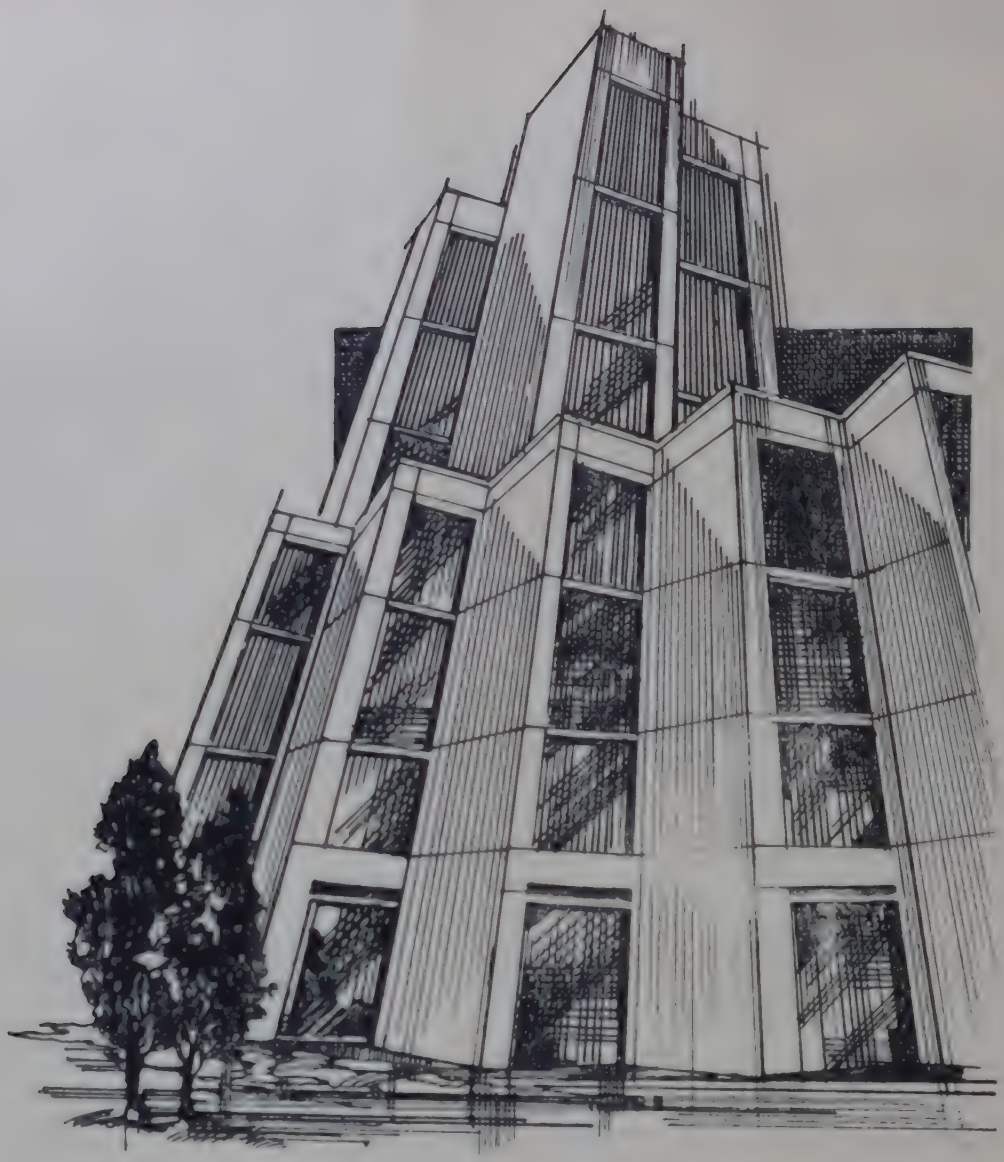
Against this somewhat depressing background, the twists and turns of India's export policy in respect of this hard currency earning commodity has hardly helped to boost tea exports. On the contrary, the imposition of an export quota restriction in early 1985, and subsequently of a minimum export price in late 1985 has resulted in a loss of export markets to other producers, notably Kenya and China, which sell somewhat inferior grades of tea at substantially cheaper prices. Chinese tea prices, for instance, command an average price which is under half that of India's average price.

'... somewhat ironically south Indian tea growers can today boast of the highest average as well as the highest absolute yields of tea per acre in the world'

Thus it is not surprising that both planters and UPASI have pegged their hopes for survival on cost cutting strategies. Indeed, UPASI's record in this respect has been so spectacular that somewhat ironically south Indian tea growers can today boast of the highest average as well as the highest absolute yields of tea per acre in the world.

Soon after it was registered at the turn of the century, the association deployed a small group of qualified and dedicated scientists to establish a research centre at Valparai (Annamalai district, Tamil Nadu), which quickly yielded sufficiently useful research outputs to encourage bigger outlays on R&D. As a consequence, over the years, UPASI's research centre has developed comprehensive techniques for boosting yields of existing tea crops, and preventing and treating tea crop disease. It has also developed over 24 new strains of high yielding tea crop clones.

An extension and training programme which receives the bulk of UPASI's Rs. 1 crore annual budget has ensured that all these techniques and new crop varieties have found their way into the field. Consequently, average yields in south Indian tea plantations have increased from 800 kg of green leaf per hectare in 1950 to approximately 2,000 kg of green tea in 1986 — the highest average yield in the world. In some instances, yields in selected estates which have planted high yielding crops developed by UPASI have increased to as much as 4,000 kg per hectare, with individual fields recording yields as high as 6,000 kg per hectare



INDAL.
Rising on the skyline.

INDAL. India's first name in aluminium is the force behind some of the most far-reaching breakthroughs in the country. Take for example, the building and construction industry.

Tough, durable and aesthetic door and window systems, false ceilings, exterior claddings for high rise buildings and commercial complexes, light weight, high strength roofing systems for stadia, industrial structures, housing estates—and more.

Aluminium is on its way up, and INDAL, for five decades the pioneer in India's aluminium industry, is as ever the pathfinder in today's high-tech applications of aluminium.

Effective Research and Development is the key to this progress. Consistently improving production processes and dovetailing product development with market needs, INDAL R&D provides a whole back-up system through application engineering designed to make aluminium go further into high-tech uses and bring the Indian aluminium industry up at par with world standards.

No less important is INDAL's immense technology resource in ALCAN of Canada—the world's largest aluminium company and INDAL's principal shareholder.

Thus, aligning today's breakthroughs with tomorrow's priorities, INDAL stands poised to take off into greater heights than ever before.

Indian Aluminium is Indian aluminium

INDAL

Indian Aluminium Company, Limited

CONTAD/INDAL/2-86



Picking the leaf that cheers but does not inebriate.Inset: Pandiaraj

Best illustration. That boosting yields has succeeded in keeping the cost dragon at bay is best illustrated in the case of Corseley Estates Pvt.Ltd., Kotagiri,15km from Coonoor in the Nilgiri Hills. According to UPASI estimates, Corseley has recorded the world's highest commercial yield of tea of 6,458 kg per hectare using a UPASI developed tea clone designated UPASI III.

Comments G.T.S. Pandiaraj (53), an engineering graduate of Madras University and chairman of Corseley Estates Pvt. Ltd. and also of Pandian Tea Industries Pvt. Ltd. (combined sales turnover: Rs. 1.5 crores in 1985), "We have achieved this yield level, which UPASI officials tell us is the highest commercial yield of tea in the world, by meticulously using UPASI norms and techniques of tea growing, and by using the recently developed clone UPASI-III. As a result of this, we have not only ensured that our operations are profitable, but also that the prices we get for our teas are much higher than the average. We currently command an estate average price of Rs. 40 per kg of finished tea, which is the sixth highest price recorded in south India in early 1986, and represents a 100% mark-up on production costs."

Corseley's record breaking success is not easily replicable, but it nevertheless demonstrates that there is considerable scope for increasing yields. Indeed, the small handful of large estates in south India which have used the UPASI tea planter's bible faithfully, have all recorded high levels of profitability and growth even as a majority of small growers have slumped into the red. Adds Sivaram, quoted earlier, "We have shown that growing tea even at current prices can be profitable, and there are enough estates which are making good profits to prove the point. What is now needed is the spread of improved cropping techniques and the use of higher yielding plants."

It is perhaps in recognition of this possibility that even behind the grim visages of south India's tea planters, there is a hint of a smile.

Michael Neri recently in Coonoor

LEISURE

Curious nationalisation

"...And whereas, a policy decision has been taken to acquire for a public purpose the undertaking of the Madras Race Club to enable the state government or a corporation or a company wholly owned by the state, to properly conduct the horse races and to carry out the other objects of the club, so as to subserve the interests of the general public and in particular, the racegoing public, be it enacted..."

With these words of legalese in the Madras Race Club (Acquisition and Transfer of Undertaking) Act, 1986, the government of Tamil Nadu took over the Madras Race Club (MRC) on 10th April. The takeover has triggered off a flurry of legal activity, evidenced by a host of petitions, affidavits and counter-affidavits, which has resulted in the abolition of horse racing in Tamil Nadu.

In the latest salvo fired at the time of writing (24th May), the vacation judge of the Supreme Court, Justice Sabyasachi Mukherji, ruled in the hearing of the writ petitions 666 and 857 of 1986 that the government of Tamil Nadu is not guilty of contempt for non-compliance with the court's order dated 30th April in the writ petition challenging the takeover. This order had directed that "the custodian (of the department of racing) will be in charge of the running of the races but he will do so subject (to) the supervision of a committee of management..."

The warm-up for this action began sometime in January 1986 or perhaps even earlier in October 1985 when the government of Tamil Nadu applied to the Supreme Court asking for an expeditious hearing of an earlier enactment — the Tamil Nadu Horse Race (Abolition of Wagering and Betting) Act, 1974, whose implementation had been stayed by the Supreme Court after it had been upheld by the Madras high court. Even while this appeal was pending, on 23rd January, the MRC takeover bill was introduced in the state legislature and it was passed with unusual speed by both the houses the very next day itself.

Swift move. After this it was sent to the President of India for his assent. Within 18 hours of the President having given his assent to the bill, on 10th April, in a swift move, the state government took over all the assets, liabilities and staff of the Madras Race Club. It created a department of racing (under the home ministry supervised by M.G. Ramachandran — the chief minister) and appointed a custodian who would take charge of the club and its assets.

This takeover was immediately challenged by three members of the MRC, and the chief justice of the Supreme Court, P.N. Bhagwati, passed an order on 30th April, directing the appointment of a committee of management to supervise the conduct of races at Madras and Ooty. With a case on the larger issue which would cover betting and gambling pending in the Supreme Court, on 6th May, the MRC withdrew its civil appeal against the judgement of the Madras high court, upholding the provisions of the Tamil

Nadu Horse Race (Abolition of Wagering and Betting) Act, 1974.

Comments Dr. M.A.M. Ramaswamy (55), the well-known Madras-based industrialist, horse owner and MRC committee member,who is listed in the *Guinness Book of World Records* for winning the maximum number of horse racing classics: "We in the MRC felt that in view of the statements made by the counsel for the Tamil Nadu government before the Supreme Court, they (i.e. the state government) had taken a policy decision to withdraw the 1974 enactment as they could not afford to lose the revenue they receive from horse racing. Therefore our only grievance was the takeover of the MRC, on which matter the verdict of the Supreme Court is awaited," explains Ramaswamy.

However, this calculation came unstuck because the very next day (7th May) after the MRC withdrew its appeal, the state government (i.e. the chief minister) took an "intriguing" decision to abolish horse racing forthwith, even though the Ooty races were being conducted as per the directions of the Supreme Court. And despite appeals from various associations (including the Turf Authority of India) to the state government, the latter reiterated its decision to abolish racing "as per the policies of the late Annadurai."

But Ramaswamy does not buy this argument. "How is it that when the late Shri Annadurai was chief minister for two years, he did not abolish racing? Further, the stay order against the 1974 Act was obtained in 1975. The MGR government assumed office in 1977. From 1977 till October-November 1985, what was the government doing? Why did they not press for an expeditious hearing of the petition? How is it that for so long there were no complaints of mismanagement in the MRC? Even if there were, why did the government nominees, including the police commissioner and the state home secretary, not bring this issue up at committee meetings?"

Suspended animation. These strongly articulated sentiments have resulted in the filing of a petition alleging contempt of court by the Tamil Nadu government which had patently flouted the Supreme Court's order of 30th April. As a consequence, the vacation judge passed an interim order on 15th May, directing the state government to comply with its order of 30th April. However, on 21st May, as mentioned earlier, he held that the state government was not guilty of contempt. This means that until the 19th of August — the date fixed for the hearing of the petitions challenging the MRC takeover enactment — racing in Tamil Nadu as well as the MRC will be in a state of suspended animation.

This must probably rank as the worst ever crisis that has befallen racing in Madras, which boasts the country's oldest race course — about 210 years old — and which, as many MRC members are convinced, is also the best in the country.



Ramaswamy examines a future winner: strongly articulated sentiments

Spread over 200 acres (160 acres on lease from the government), the MRC boasts several facilities including an equine swimming pool, hospitals, etc. In terms of field money (money collected by bookmakers) and totalisator (tote) collections, it ranks second in the country after the Turf Club,Bombay, which rakes in twice as much.

Comments P. Shankar (42), the state government appointed custodian (department of racing) and an IAS officer: "Including intervenue betting, there are about 280 days of betting at Madras. The field money averages between Rs. 6-10 lakhs per racing day and tote collections between Rs. 1-2 lakhs per day. The MRC gets a 4.75% commission on field money and 20% on tote collections. However, it is a known thing that all bets are not recorded. And the percentage of such unrecorded bets is estimated by some people to be even as high as 50%."

And there, perhaps, lies the rub. The state government earned about Rs. 3.91 crores in 1983-84, Rs. 3.99 crores in 1984-85 and an estimated Rs. 5 crores in 1985-86 through entertainment tax and betting tax from totalisators and bookmakers. Close to 50% of the contribution comes from the betting tax collected from bookmakers. But with a large part of the betting allegedly going unrecorded, the state government felt it was losing a substantial amount of tax revenue.

According to government spokesmen in Madras, there were various such monetary and other swindles to which the MRC turned a blind eye. This is in fact mentioned in the Madras Race Club (Acquisition and Transfer of Undertaking) Act, 1986. In addition, they allege that factionalism in the managing committee,irregularities and malpractices in the conduct of races, etc., have resulted in the interests of the race-going public being affected and "in the concentration of wealth and means of production in a few hands and to the common detriment."

Unanimous re-election. Argues Ramaswamy, "If there was a charge of mismanagement against the erstwhile committee, how is itthat when elections (for committee members to be chosen from among MRC members) as per the Supreme Court's order of 30th April were held, the very same six people were re-elected? And that too, unanimously? If this is the case, where is the question of mismanagement? They could have rectified the situation. The abolition of racing was not the right step. If an organisa-

BusinessWorld
June 9—22, 1986

tion has a disease, you try and cure it, not kill it."

As one of the major racehorse owners in the country, possibly the biggest (he reportedly owns over 100 prize horses), Ramaswamy and other owners must surely have been taken aback by the sudden turn of events. It is more than likely that in the near future, several owners, especially the smaller ones, will have a real problem on their hands.

Yet another group likely to face a monetary crunch are the employees of the club, both full-time and part-time. They are understandably an upset lot today. Their very jobs are at stake. About 340 full-time and nearly 1,200-1,300 part-time (some estimate 2,000) employees are confronted with the prospect of unemployment. However, the Supreme Court has directed that they are to be paid until 19th August. And the full-time employees, especially officials, are an enviably well paid bunch.

Simple logic. Apart from the employees, the trainers, syces and their assistants, grooms, feedstock suppliers, etc., are also extremely agitated. In fact, the syces have refused to let the 600-700 horses stationed in Ooty since the abolition, out of the hillstation. Their logic is simple. If the horses go, their jobs go too. All in all, the total number of people whose livelihood is at stake consequent upon the abolition decision, is estimated to be around 5,000.

As against this, an analysis of the race-going public makes interesting reading. According to the MRC and other sources, the average attendance on a race day is between 8,000-12,000. For the major races, (e.g. the Invitation Cup), the attendance often rises to 25,000. Of these, about 5,000 constitute the hardcore racing crowd. Again, of this hardcore crowd, 2,000-3,000 are present more than 50% of the time and the remaining 3,000 less frequently. "Only 10% of the race-going public earns less than Rs. 1,000 per month, 70% earns up to Rs. 5,000 a month or more and the remaining 20% much more than that," says Ramaswamy.

Be that as it may, until 19th August, when the Supreme Court commences hearing the writ petitions filed against the state government for taking over the MRC and abolishing horse racing in Tamil Nadu, the entire horse-racing fraternity in Tamil Nadu will be in a state of suspense. The only ones seemingly unconcerned right now seem to be the horses. But if they could speak, they too would have registered a nay.

Chandu Nair in Madras

ECONOMIC COMMENT — NARENDRA M. APTE

Project promotion lacunae



The last two years have witnessed a substantial increase in public equity and debenture issues. Many companies are busy chalking out plans for the expansion and diversification of their businesses. The state governments are also not lagging behind in the race to promote new projects for which assistance from the World Bank and other international term-lending institutions is avidly being sought. While this is all to the good, a number of points tend to be overlooked during the process of promoting projects — be they in the private, public or joint sectors.

The huge outlays which are required for major projects need not decide the fate of a project one way or another. Yet a consideration which tends to be glossed over is the alternative use of the resources required for a particular project. A 1976 estimate of flood damages in the Ganga river basin was Rs. 450 crores. Huge losses are also incurred every year in the basins of other major rivers in the north. In view of these annual recurring losses, a national water grid or the much touted grand canal project becomes a viable proposition despite the huge outlays involved.

Best return. In resource-scarce economies such as India's, the available resources have to be spread over projects which give the best return in the shortest possible time. Yet, this general principle cannot be stretched too far because of the existing geographical disparities in economic development.

At present, the monetary resources required for financing projects are largely mobilised in the stockmarket and from banks and term-lending institutions. Term-lending institutions in turn mobilise resources by borrowing from the banks, the Central and state governments and from abroad. Yet it is incontrovertible that the interest paid by the term-lending institutions to the banks or government s much less than what the banks charge industrial borrowers. The point is that there is a concealed transfer of resources from the banks and government to the term-lending institutions. And if these institutions ignore this aspect of the issue, there is every likelihood of such resources being utilised for projects which cater to the needs of a limited upper income group of citizens, because the returns on such projects are high.

It is also necessary to study the cost-benefits of the expansion plans or the new projects undertaken by the private sector enterprises. Often their objective is to save tax and to widen the asset base of a company. During the last eight to 10 years, many companies have diversified and also expanded their existing capacities. Some of these companies have achieved excellent results by utilising this strategy. However, such expansion and creation of capacities could result in the sub-optimal utilisation of resources. It has been said that the 1982-83 recession was precipitated by a lack of adequate demand for some major industrial products. Yet a contributory cause could be that additional capacities were created in industry for reasons other than sound commercial principles.

Available resources can be utilised in different sectors of the economy such as government departments, and the public, private and cooperative sectors, among others. However, the social and economic benefits to the economy of canalising resources into each of these sectors will differ.

Intelligent decisions. It is rather difficult to evaluate in full measure the full impact of projects such as the canal irrigation schemes, the Operation Flood programme and the various schemes under the Integrated Rural Development Programme. Yet unless such evaluations are made, intelligent investment decisions cannot be taken. True optimal utilisation of resources obviously requires human assessment. Nevertheless such assessments should be as scientific and objective as possible, so that the margin of error is reduced.

Lastly, there is a noticeable tendency, particularly in the private sector, to inflate project costs for various reasons. This results in a sub-optimal utilisation of resources. It is therefore necessary to ensure that tax incentives are also related to capacity utilisation and not merely to the expenditure incurred to create capacity. Under-utilisation of capacity has harmful consequences such as higher costs to the consumer and lower returns on investment, although in sellers' markets prices can be kept high enough to ensure high returns.

Tax raid rules

H.P. RANINA



The powers of search and seizure have been on the statute book since the Income Tax Act, 1961, came into force. However, for the first time in the last 26 years, these powers are being enforced widely and a long overdue fear of discovery and punishment has entered into the consciousness of the growing number of tax evaders in India.

It is commonly believed that the powers given to various authorities under the Income Tax Act, customs and excise laws and to the enforcement directorate which investigates foreign exchange law violations are wideranging and draconian.

It is against this backdrop that the Union finance minister has recently set out the ground rules for conducting search and seizures under the aforesaid fiscal statutes. Such ground rules have to be observed by those who wield the powers both in letter and spirit, if the democratic rights of citizens are not to be trampled upon.

But before discussing the new set of ground rules, it would be appropriate to outline the provisions of s.132 of the Income Tax Act, 1961, which empower tax authorities to search and seize assets. The issue of a search warrant under this section is not a judicial or quasi-judicial act. It is not necessary that the warrant of authorisation should specify the particulars of account books or documents, or that before effecting search and seizure under this section the department should give an alleged defaulter notice to produce the relevant books and documents. S.132-A empowers income tax authorities even to requisition assets and documents which are in the custody of any officer or authority under any law.

COMPETENT AUTHORITY

Now the Union government has laid down certain ground rules for search and seizures which apply not only to searches made under the Income Tax Act, but also under the Customs Act, the Excise Act and the Foreign Exchange Regulations Act, 1973. Depending upon which law is being invoked to conduct the search and seizure, the appropriate competent authority stipulated under that law has to issue the authorisation.

The following are the rights under the law of an individual whose premises are to be searched by a team of officers led by an officer of at least the rank of assistant collector of customs or excise or his counterpart under other laws:

(i) To see the warrant of authorisation, duly signed and sealed by the issuing authority.

(ii) To verify the identity of each member of the search party.

(iii) To have at least two respectable and independent residents of the locality as witnesses.

(iv) To conduct a personal search of all members of the party before the start of the search and after the conclusion thereof.

(v) To insist that personal searches of females are made by another female with strict regard to decency.

(vi) To receive a copy of the *panchanama* together with all annexures.

(vii) To put his own seal or seals on the packages containing seized assets.

(viii) A woman who is an occupant of any apartment, etc. to be searched has the right to withdraw before the search party enters, if according to the family's custom she does not appear in public.

(ix) To call a medical practitioner if he is not well.

(x) To send his children to school, after the examination of their bags.

(xi) To inspect the seals placed on various receptacles sealed in the course of searches and subsequently reopened on continuation of the search.

(xii) To eat his meals, etc., at the normal time.

(xiii) To receive a copy of any statement before it is used against him in an assessment or prosecution proceedings.

(xiv) To inspect the books of account, etc. seized or to take extracts therefrom in the presence of any authorised officer, or any other person empowered by him.

Under the Income Tax Act, the concerned income tax officer must make a summary assessment within 120 days of the seizure, estimating the undisclosed income and calculating the amount of tax on income so estimated along with the interest and penalty payable. Thereafter, he retains in his custody only such assets as are, in his opinion, sufficient to satisfy the aggregate amount of tax, penalty and interest due.

SPECIFIC PROVISIONS

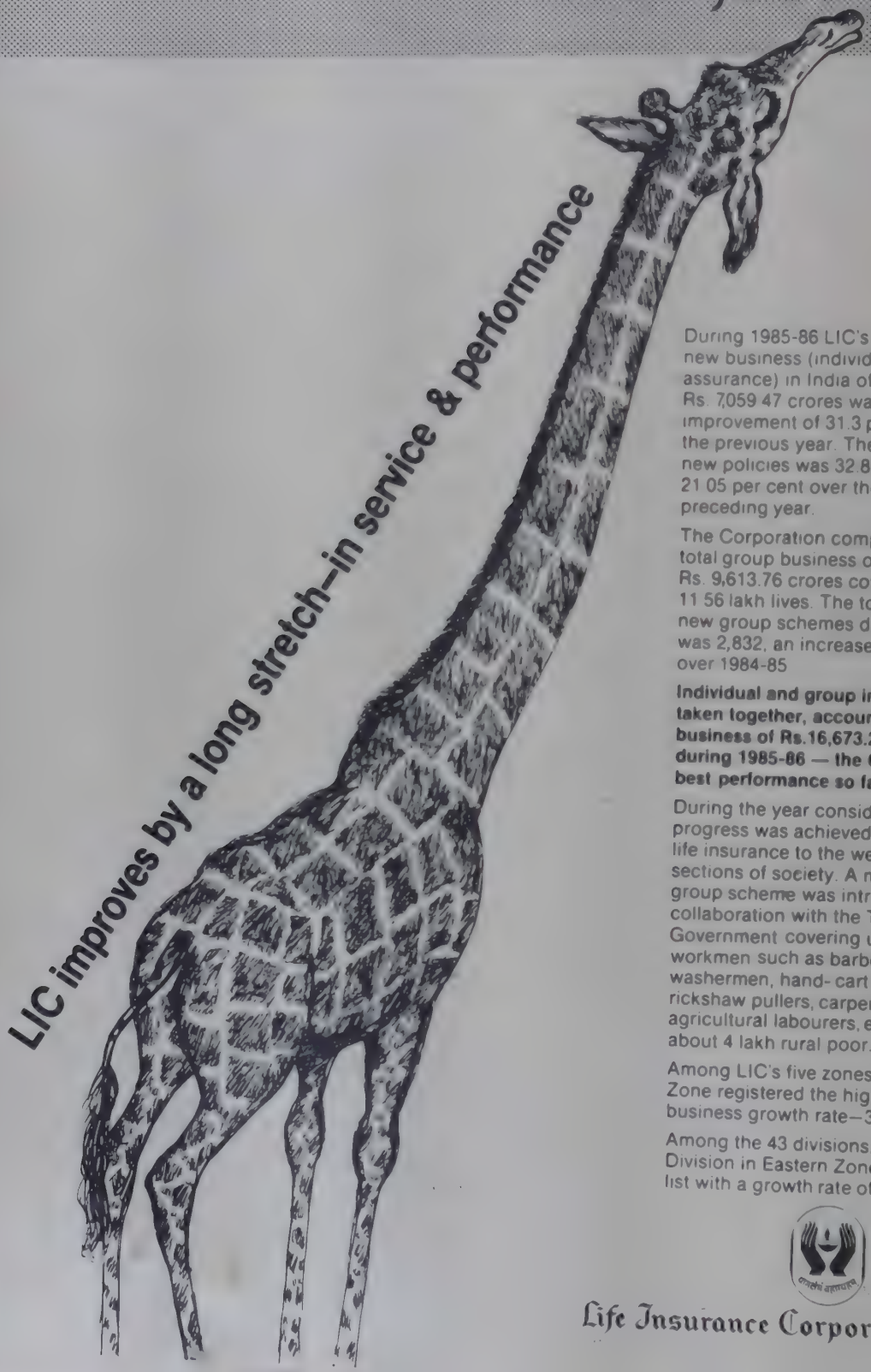
Books of accounts and documents seized cannot be retained for more than 180 days except for specially recorded reasons and with the approval of the commissioner. The law specifically provides that a raided person may make copies of the seized documents. Under the Customs Act, the period for retaining contraband, etc., cannot be extended beyond one year.

'Now the Union government has laid down certain ground rules for search and seizures which apply not only to searches made under the Income Tax Act, but also under the Customs Act, 1973. Depending upon which law is being invoked to conduct the search and seizure, the appropriate competent authority stipulated under that law has to issue the authorisation'

In cases of offences by companies, every person who was in charge at the time when the offence was committed and was responsible for the conduct of business of the company as well as the company itself, is liable to be prosecuted. Yet there is a proviso: the offence should have been committed with the knowledge of such a person, or it should be proved that he did not exercise due diligence to prevent the commission of such offence.

In conclusion, it has been argued that the raiding party is not entitled to make any statements to the press. However, a press note may be given out by the head of the department if, according to him, a distorted version has been released to the press by others. In such a case, the press statement has to be purely factual in form and content

New business crosses Rs.7,000 crores!



During 1985-86 LIC's completed new business (individual assurance) in India of Rs. 7,059.47 crores was an improvement of 31.3 per cent over the previous year. The number of new policies was 32.82 lakhs, up 21.05 per cent over the preceding year.

The Corporation completed total group business of Rs. 9,613.76 crores covering 11.56 lakh lives. The total number of new group schemes during 1985-86 was 2,832, an increase of 20 per cent over 1984-85

Individual and group insurance, taken together, accounted for new business of Rs.16,673.23 crores during 1985-86 — the Corporation's best performance so far.

During the year considerable progress was achieved in extending life insurance to the weaker sections of society. A major group scheme was introduced in collaboration with the Tamil Nadu Government covering unorganised workmen such as barbers, washermen, hand-cart pullers, rickshaw pullers, carpenters, agricultural labourers, etc., covering about 4 lakh rural poor.

Among LIC's five zones, the Eastern Zone registered the highest business growth rate—35 per cent

Among the 43 divisions, the Cuttack Division in Eastern Zone topped the list with a growth rate of 64.6 per cent.

Life Insurance Corporation of India

RADEUS/LIC/3-86

ANZ chief

Passing through Bombay recently was Will J. Bailey (53), group managing director and chief executive officer of the Melbourne-based Australia & New Zealand Banking Group Ltd. (ANZ — total assets: Rs. 39,846 crores in the year ended 30th September 1985). ANZ, which according to Bailey is the 67th largest commercial banking corporation in the world, was virtually unknown in India until quite recently.

Indeed, ANZ's main claim to fame in this country has been its takeover in 1984 of the UK-based Grindlays Bank plc, the largest foreign bank in India with 56 branches and close to 4,000 employees.



Bailey: great respect but...

"We are well aware of the tremendous reputation which Grindlays enjoys both in India and worldwide. This is one of the reasons why we at ANZ have preferred to retain the Grindlays name in our banking operations in this country," says Bailey who,accompanied by his wife, was on his first visit to this country.

The great respect that the ANZ top brass has for Grindlays notwithstanding, ANZ is actively involved in restructuring Grindlays' Indian operations."We are committed to improving customer service standards at our branches and consequently we intend increasing the degree of automation in our banking operations," says Bailey. Again, ANZ is also promoting what Bailey describes as India's first private venture capital fund — the India Technology Fund Ltd. (ITFL).

ITFL, which will have an initial financial corpus of Rs. 10 crores, will assist "young and growing companies" venturing into high-technology, high-risk areas and is expected to start operations within three to six months. "Our experience in Australia has indicated that even if just one out of 10 high-tech companies funded by us is successful, the venture capital fund can be operated profitably," says Bailey.

Source of strength. Quite clearly, ANZ's 150 years of experience in international banking will be a major source of strength to Grindlays' Indian operations. With a gross income of Rs. 5,192 crores, and a staff of 38,000 spread over 1,657 branches worldwide in 1985, ANZ certainly has a lot to offer the indigenous paper shuffling bankers in terms of international banking expertise.

It is also equally clear that on its part ANZ prizes Grindlays' Indian operations. "We see India as an important banking market for us in the years ahead and our substantial presence in that country in the form of 56 branches and nearly 4,000 staff gives us a solid foundation on which to build," notes ANZ's annual report for 1985.

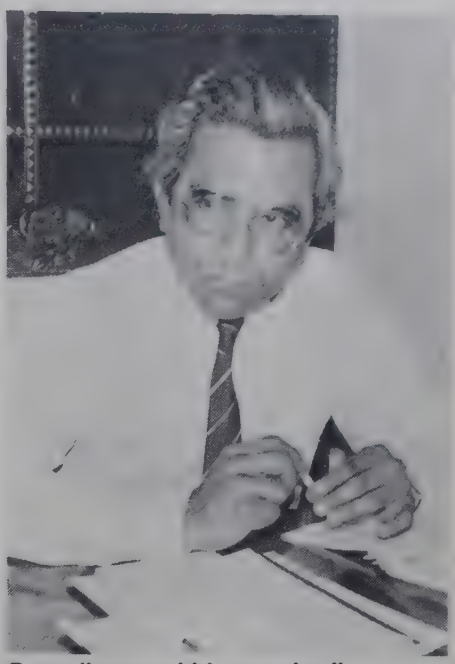
Undoubtedly, Bailey's recent visit and his new plans for ANZ's Indian affiliate reflect this view in full.

BINU S. THOMAS IN BOMBAY

Bose bonanza

Now here is some good news for entrepreneurs who, despite the best efforts of the *neta-babu* combine to extinguish the spirit of enterprise in this country, have not only survived but also prospered modestly. On 14th May, Udayan Bose (37), chairman and chief executive of Creditcapital Finance Corporation Ltd. (CFC — loans syndicated: Rs. 250 crores in the year ended 31st March 1986) announced the incorporation of what he describes as the country's first venture capital funding company — though the managers of Grindlays Bank are unlikely to agree (see above).

Incorporated under the name and style of Creditcapital Venture Fund Ltd. (CVF), a company which will provide seed capital for new projects and business expansion to Indian industry, CVF expects to commence doing business on a sizeable paid-up capital base of Rs. 25 crores. Of this sum, the promoters, comprising 15 well known, highly reputable companies in the organised sector, will contribute an aggregate sum of Rs. 10 crores. The remaining Rs. 15 crores will be raised through a public issue scheduled for November.



Bose: "very ambitious project"

"Considering that the average paid-up capital of a medium size company in the organised sector is Rs. 5-6 crores, CVF with its Rs. 25 crore equity capital base is a massive and very ambitious project — certainly the first of its kind in India," says Bose.

According to Bose, a large number of medium size projects which are conceptually sound and potentially viable are stalled by a shortage of promoters' funds. "The primary purpose of CVF will be to subscribe to a part of the promoters' equity quota to enable potentially viable projects to get off the ground. In addition, we will also finance the expansion of high potential companies to enable them to attain the economies of scale," says Bose.

Strong team. Yet, perhaps the most novel and innovative stated objective of CVF is that it also intends to function as a doctor of sick units, whose number in Indian industry is legion, as also to finance the promotion of ancillaries for large client companies. "Currently, we have a small team of six highly qualified and experienced engineers and MBAs who are engaged in managing the ailing music company, the Gramaphone Co. of India, on behalf of Credit Finance Corporation, which is a promoter of CVF. But even within CVF we want to build up a strong team of professionals who will inject equity finance and expertise into ailing companies, turn them around and enable CVF to sell its acquired shareholding — at a profit naturally," says Bose.

In the complex indigenous banking

BusinessWorld
June 9—22 1986

and finance environment, which is dominated by bureaucratic government-managed term lending institutions and the nationalised banks, such ambitions as Bose entertains for CVF would tend to be dismissed as fanciful. But the phenomenal success of Creditcapital Finance, whose 1985-86 results were announced on 14th May, adds more than a touch of credibility to Bose's projections for CVF.

In the recently concluded year, CFC not only managed seven public issues, nine loan syndications and the takeover of the management of Merwanji, Bomanji Dalal & Co. — one of the oldest stock-broking firms in Dalal Street — but also took charge of the management of the ailing Gramaphone Co. of India, which had run up a cumulative loss of Rs. 8 crores on its capital base of Rs. 2 crores in the year ended 31st March 1985.

In addition, CFC has already attracted notice abroad. Lazard Brothers, London, one of the most respected merchant banking firms in the city of London, is associated with CFC and is likely to purchase a 25% stake in the equity of the company. Meanwhile, the Union Bank of Switzerland has appointed CFC its India adviser.

Nor is that all. CFC has also been appointed financial adviser to the massive Haldia Petrochemicals Ltd. as well as to Zuari Agrochemicals Ltd. which is constructing a massive gas-fed plant in Sawai Madhopur in Rajasthan. Moreover, the company has drawn up project proposals for two of the shortlisted bidders for the massive Karnal and Mangalore refinery projects. "CFC has been successful beyond our expectations," says Bose.

Little wonder he is confident about the success of CVF, which could be the start of something big.

DILIP THAKORE IN BOMBAY

Bakshi's excitement

Plastics appear all set to emerge as the material of the future. Backed by the rapid development of a massive petrochemicals base in the country, the plastics industry is heady with anticipation as new opportunities come the way of the men who manage this versatile industry. Little wonder that J.B.S. Bakshi (44) has chosen to go public with an offering of 78,000 shares of Rs. 10 each for cash at par of his company Uniplas India Ltd., which has its headquarters in NOIDA (Uttar Pradesh), east of Delhi.

One of that rare breed of professional managers bitten by the entrepreneurial bug, Bakshi put in long stints with several multinational affiliated companies as well as large indigenous companies before deciding to go solo three years ago. "When I found that a job did not offer the excitement or the rewards that come the way of entrepreneurs, I decided to become my own master. Although I did work overseas with a Kuwaiti group, it was primarily to raise resources for my project," explains Bakshi.

Given his experience in the field of plastics, it was but natural for Bakshi to set up a unit in this sector, manufacturing



Bakshi: growing market

the ubiquitous PVC pipes which are fast replacing traditional cast iron, cement and asbestos pipes in irrigation and drinking water systems. "We have been very successful as is indicated from the sharp rise in Uniplas' sales turnover, which has risen from Rs. 15 lakhs in 1983 to nearly Rs. 2 crores in the next year. In the first eight months of the current year, we have already done business worth Rs. 1.04 crores," says Bakshi, whose marketing talent is evident in the way he has stormed the agrarian markets of UP, Punjab and Haryana through a dealer network operating in over 100 towns.

Growing market. According to Bakshi, the economics of using PVC pipes, which are far cheaper, lighter and durable as well as energy efficient, ensures a growing market for this product. "We started with a capacity of just 1,250 tonnes per annum (tpa), which we expanded to 3,000 tpa in early 1986. Production capacity will be expanded further to 5,000 tpa by the end of the year," says a confident Bakshi.

In step with this capacity quadruplication, Uniplas will also expand its product range, offering the gamut of pipes from diameters as small as half an inch to 315 mm. "We will produce not only these pipes, but also the injection moulded fittings that go with them. We have even developed a product for containing telecom cables, which ought to find widespread usage," says Bakshi. Indeed, in all probability, a separate division of the company to undertake the design, erection and contracting of piping systems is likely to be set up at Uniplas.

With large capacities being created upstream for the manufacture of PVC resin, the basic raw material, there is every indication that the plastics industry is being encouraged by the Union and state governments. "Despite the industry languishing for decades at very low levels of production, the next three to four years should see a remarkable boom in the PVC pipe manufacturing business," says Bakshi, who expects the 1 million tpa production mark to be crossed by 1990.

While competition in the field is obviously intensifying, Bakshi, who is also the president of the Indian PVC Pipe Manufacturers' Association, is of the opinion that many manufacturers will fall on the wayside. "Sickness is already prevalent in this industry, which is characterised by a plethora of small units. But I think this is just the normal process of competition taking its toll," says Bakshi.

Enough profits. Uniplas, on the other hand, is sitting pretty with an annual sales turnover target of Rs. 10 crores by 1990 well within its reach. "I don't think this is a very ambitious target. Considering the manner in which the demand for products made out of plastics is growing, I am sure that we will be making enough profits to pay at least an 18% dividend next year, and maybe even an interim dividend this year," says Bakshi, making a plug for the issue which will open sometime in the first week of June.

Learning from his own industry experience, Bakshi appears keen on building up a professional team at his NOIDA headquarters in Uttar Pradesh, just across the border from Delhi. If Uniplas does attain the Rs. 50 crore mark by the turn of the century, it will more than justify Bakshi's belated decision to go solo.

ANAND P. RAMAN IN NEW DELHI

In health care what you don't see matters most!



Over 4000 high-technology medical instruments and systems in more than 200 hospitals and clinics nationwide.

There is probably no major hospital in India today, which does not depend on these systems from Blue Star

For diagnostic investigation and biochemical analysis. In intensive emergency, maternity and child care.

Behind the scene, Blue Star Electronics is at work where it matters most.

Total Electronics Capability

Blue Star in association with Hewlett-Packard, Hitachi, Scientific Atlanta Technicon, Yokogawa Hokushin, Johnson Controls and Jeumont-Schneider—each a leader in its own field—has been in the forefront of Electronics for over 30 years

Among the products it markets and increasingly manufactures in India are : State-of-the-art Computer Systems and Business Machines, Analytical Instruments, Medical Instruments, Test and Measuring Instruments, Process Control Instrumentation, EPABX Systems and Professional Electronic Components

These are backed by over 1000 man years of specialised experience of over 200 professionals

Blue Star also exports Computer Software to technologically advanced countries

State-of-the-art Solutions

Business, Industry and Government Defence, Space and Telecommunications Medicine, Research and Education Increasingly, they will need Electronics

And that's where they will find Blue Star

In the vanguard of technology. With a total package of state-of-the-art solutions to their complex problems

THE BLUE STAR PACKAGE

- State-of-the-art, high technology products from world leaders
- Prestigious manufacturing collaborations Hewlett-Packard, Jeumont-Schneider, Yokogawa Hokushin
- Systems-engineering capability of foreign-trained Blue Star scientists and engineers, for solutions to customer needs
- Customer support services technology update seminars demonstrations and training programmes; ever-expanding technology applications library electronics R & D centre countrywide network of service centres; calibration and workshop facilities; ample stocks of spare parts

BLUE STAR

the hi-technology Company

SIEMENS

A small shutter missing – and you could come in contact with 415 volts.

Would you risk anything short of Siemens quality?

The Siemens 8 PU Motor Control Centre is the only MCC with an automatic safety shutter. It drops the moment a module is removed, thus preventing the risk of contact with the live busbars behind. Safety features like this are a part of the quality built into every Siemens product.

Withdrawing a module from the 8 PU panel



The automatic safety shutter



In the crucial areas where Siemens products are used, the cost of imperfection is far too high. And not just in terms of money. What is at stake can be anything from a company's reputation to a human life. This is why the Siemens Quality Assurance System leaves absolutely no room for compromise. The system ensures that quality is built into the designing, manufacturing, testing and servicing of every Siemens product. Systematically documented manuals guide Siemens' employees in maintaining levels of excellence that far exceed the prescribed standards. So get the Siemens quality advantage on your side – it is your guarantee against regret.

Siemens India Ltd.,
P.O. Box 6597, Bombay 400 018.

Siemens Quality Assurance. The only guarantee you need.



The strong grip of leadership

Goodyear demonstrate leadership worldwide. In technology and research, innovation and quality, in popularity amongst users and performance on world race-tracks.

The largest earthmover tyre, the tyre that landed on the moon, the largest-selling car tyre in the world — **each** one is a Goodyear!

Right here in India Goodyear lead with Power Cushion. The tyre you have made an **unquestioned** leader. Well, that's Goodyear. The finest, the world over. As Power Cushion is in India.

And with all reason.

Deeper and Wider Tread :
More rubber on the tread than any other car tyre. (Consumers testify to over 50,000 Kms. of non-skid safety).

Computer chips in for more mileage, more safety :
Power Cushion's computer-perfected tread design ensures greater grip, more comfort, more safety as tread adjusts automatically to road profile.

Unique Arrow-Head Design :
For a quicker start-stop, lower rolling resistance, more fuel saving.



'3-T' Nylon Casing :
Resilient and abrasion-resistant casing that ensures more retreads.

That's Goodyear Power Cushion



GOODYEAR

LEADING THE WORLD IN TYRE TECHNOLOGY

SPIC power

The Madras-based Southern Petrochemical Industries Corporation Ltd. (SPIC — sales: Rs. 561.16 crores in the year ended 31st December 1985) plans to diversify into the power generation business. Comments A.C. Muthiah (44),vice chairman and president of SPIC and president of the Southern India Chamber of Commerce and Industry: "We propose to associate with the Tamil Nadu Industrial Development Corporation Ltd. (TIDCO) which has received governmental approval for setting up a 210 Mw power plant. The project is estimated to cost around Rs. 200 crores and will be based on low sulphur heavy stock (LSHS) or fuel oil."

Thus far, according to Muthiah, SPIC's growth strategy has been by way of "backward integration." And its investments in Tamilnadu Petroproducts Ltd. (TPL) and Tuticorin Alkali Chemicals & Fertilisers Ltd. (TAC) are based on this credo. TPL has been promoted jointly with TIDCO at Manali, for the manufacture of linear alkyl benzene (LAB), the basic raw material for the manufacture of synthetic detergents. Muthiah believes that the LAB project will be an important import substitute programme leading to a saving in foreign exchange to the tune of Rs. 100 crores per year. Commercial production is likely to commence by the end of 1987.

In addition, to shore up its production base the SPIC management has also set up various captive projects such as water storage reservoirs and a captive power plant and acquired two phosphoric acid tankers. The tankers have been procured for hauling acids such as phosphoric acid, a basic raw material for the production of di-ammonium phosphate (DAP), which is a major product of the company. For the second tanker, SPIC has reportedly raised a foreign exchange loan to part-finance the acquisition. According to *The Economic Times* (9th May), the loan is said to be the first of its kind raised on a tax-spared basis by a non-public sector company in India.

Bright prospects. The company's results for the year ended 31st December 1985 reflect, to an extent, the impact of such policies. Despite a discouraging monsoon in many parts of the country, the company's sales turnover was Rs. 561.16 crores, up by 10.5% over the previous year, with domestic sales maintained at almost the same level as in 1984. Encouraged by the reserves position, the board has announced a 1:1 bonus issue to the equity shareholders. "And," says Muthiah, "the prospects for the future are extremely bright. We aim to do even better in the coming years."

Accordingly, a plan to identify thrust areas has been chalked out by the management, says Muthiah. Under the plan, the company proposes to produce and distribute certified quality seeds of cereals, oilseeds, vegetables and pulses. In this project, in which SPIC's investment is estimated at Rs. 6 crores, processing plants and conditioned and ventilated storage units will also be constructed.



Muthiah: thrust areas plan

In the second phase, SPIC plans to venture into the production of soyabean and the extraction of oils. In addition, the company plans to enter the field of electronics and has already promoted a company — SPIC Electronics & Systems Pvt. Ltd.(SPEL)— for this purpose. SPEL has obtained governmental approval to tie up with Computer Resources Inc., USA, for the manufacture of computer and video tapes. Besides setting up facilities for an IC packaging unit, SPEL also proposes to establish a design centre for custom designed chips. The total outlay on this project is expected to be around Rs. 35 crores.

Least surprising. Apart from these diversifications into unrelated industries, the SPIC management is also attending to the business of consolidating the company's position in the fertiliser industry. Applications are pending with the Union government for setting up an ammonia plant with a capacity of 900 tonnes per day and a urea plant with a capacity of 1,500 tonnes per day. SPIC's efforts to increase its interests in this area are not the least surprising considering that the target for fertiliser consumption at the end of the Seventh Plan period (1985-90) has been pegged at 14 million tonnes of nutrients, implying a compound growth rate of almost 12% per annum during the plan period.

Given this expansionist mood within the company, it is hardly surprising that Muthiah is optimistic about the company's future. "The prospects for the current year (1986) are good. In the coming years too, as we place considerable emphasis in this company on growth, we will see that all our efforts are directed at ensuring a high level of growth together with stability," concludes Muthiah.

And if past performances are any indication, SPIC — ranked 13th in *Business Standard's* 1985 listing of the top 300 corporate giants — is all set to improve its ranking.

CHANDU NAIR IN MADRAS

Ganges' good news

Joining the bandwagon of fertiliser plants springing up all over the country is Ganges Fertilisers & Chemicals Ltd. (GFCL), promoted by the Kanpur-based Ganges group of companies (sales: Rs. 25 crores in the year ended 31st October 1985). The group owns a number of established and profitable ventures such as Ganges Flour Mills, Ganges Oil Mills, Ganges Tin Works (all based in Kanpur) and one flour mill each at Varanasi and Dhanbad.

GFCL has promoted a Rs. 6.95 crore project at Raipur in Farrukhabad (Uttar Pradesh) on 18 acres of land, for the manufacture of 66,000 tonnes per annum (tpa) of single super phosphates (SSP), 33,000 tpa of sulphuric acid and 165 tpa of sodium silico fluoride.

Talking to newsmen on 14th May at a press conference in Calcutta, D.P. Kanudia (55), the managing director of GFCL, stated that of the estimated project cost of Rs. 6.95 crores, equity capital will contribute Rs. 2.28 crores and the balance Rs. 4.67 crores will be financed through term loans and Central and state subsidies.

Says Kanudia, "The prime reason for setting up the fertiliser plant in UP is that the demand for SSP in the northern region has always outstripped supply by a wide margin. Consumption of SSP in the state was 5.92 lakh tonnes in 1984-85, while



Kanudia: demand-supply gap

production was only a meagre 74,000 tonnes, creating a wide gap of 5.18 lakh tonnes." According to him, this deficit is expected to widen to around 6.41 lakh tonnes in 1985-86 — a factor which virtually assures GFCL a ready, indeed eager, market.

GFCL will have entered the capital market on 2nd June with a public issue of 10.2 lakh equity shares of Rs. 10 each for cash at par to raise Rs. 1.02 crores. The contributions of the promoters, directors and associates are expected to aggregate to Rs. 1.06 crores, while the UP State Industrial Development Corporation (UPSIDC) will contribute Rs. 20 lakhs.

Maximum demand. Many factors augur well for the success of the Ganges group's latest and most ambitious project. "The plant is located in the highest fertiliser consumption belt in UP. And SSP is a basic phosphatic fertiliser used in the cultivation of oilseeds, pulses, potatoes, wheat, cotton, maize and groundnut, among others. In fact, the maximum demand for SSP in UP is within a radius of 150 km from GFCL's project site. Moreover, 70% of the company's annual production of sulphuric acid will be used in-house for the manufacture of SSP and the remaining 30% will be sold in the marketplace," says Kanudia.

GFCL has also managed to rope in the Bombay-based Dharamsi Morarjee Chemical Co. Ltd. (DMCC), the largest manufacturer of SSP in the country, to provide technical expertise. DMCC has supplied GFCL with technical knowhow, drawings, plant and machinery, etc., on a turnkey basis and has "guaranteed the performance of the plants as per the rated capacity." In the meanwhile, commercial production commenced in December last year.

Nor does Kanudia entertain fears that SSP alternatives such as di-ammonium phosphate (DAP) are likely to pose a competitive problem. "The production of DAP has become much too expensive at the current price of Rs. 3,400 per tonne and I understand that the government plans to ban its production in the near future. Moreover, GFCL's production for the first five years has been exempted from sales tax and as such will have a price edge over other fertilisers," he says.

According to the latest projections, the Union government is planning to maintain a 12% annual production growth rate in the fertiliser industry to achieve a foodgrain production target of 235 million tonnes per annum to cater to a population of 900 million by the end of the century. Kanudia thus foresees an excellent future for GFCL and the fertiliser industry in general in the coming years. Which is likely to be good news not only for the hungry but also the dividend hungry shareholders of this newly promoted company.

ASHOKE LAHA IN CALCUTTA

A rare exception

Profits are rarely associated with state owned undertakings in Karnataka. Dividends even less so. But one exception is Mysore Minerals Ltd. (MML), which essentially mines and exports iron and manganese ore, bauxite and ornamental granites.

MML, whose equity capital base of Rs. 52.51 lakhs has remained static since its incorporation in 1966, raised quite a few eyebrows in corporate circles when it declared a 40% dividend in the year ended 30th June 1985, a year which witnessed its sales turnover, including other income, cross Rs. 11.61 crores. Net profit in 1984-85 was Rs. 73.24 lakhs, up from Rs. 46.88 lakhs in 1983-84.

However, in the current year, MML's performance is not expected to be quite as spectacular though the indications are that the company will be able to maintain — if not improve upon — its last year's performance. Aggregate sales turnover up to the end of April is estimated at around Rs. 9 crores.

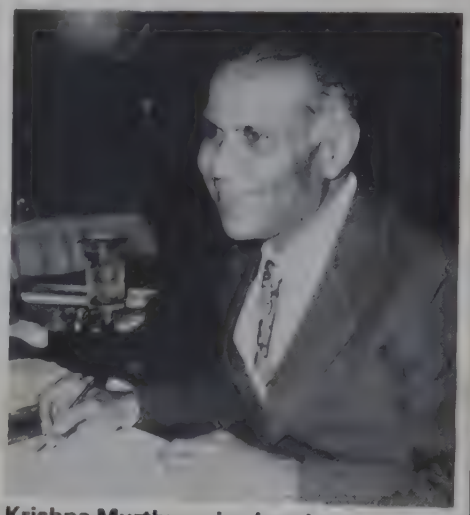
"We hope to achieve another Rs. 2 crores in turnover by way of internal sales of other minerals and the export of rough and polished granites before 30th June 1986," says M. Krishna Murthy (50), an IAS officer with a postgraduate degree in economics from the Delhi School of Economics, who is the chairman and managing director of MML.

"We are also on the verge of finalising the export of 20,000 tonnes of chrome ore to Japan through the MMTC. The sale will be for April-June 1986. However, following the steep appreciation in the value of the yen in recent months, structural changes in the production process and high inventory levels, Japan is no more an easy market.

"Further, the export of 20,000 tonnes of ferruginous manganese ore to South Korea, which has been buying the same quantity for the past two years, failed to materialise this time because the MMTC could not secure the nomination of a vessel to ship the ore. We lost sales worth Rs. 60 lakhs. It is obviously risky to be dependent solely on the Japanese and Korean markets. We therefore intend to explore new outlets for ore abroad, and the sooner the better," says Krishna Murthy.

The constraints notwithstanding, MML expects to achieve a sales turnover of Rs. 12 crores this year, with exports of various minerals and granites contributing nearly 78% of the sales turnover.

Technical snags. As a diversification into the production of value-added items,



Krishna Murthy: raised eyebrows

MML has set up a 100% export-oriented granite cutting and polishing unit at Hassan at a projected cost of Rs. 2.25 crores. The unit went into commercial production on 20th January this year, about six months behind schedule, with the delay being attributed by Krishna Murthy to administrative and technical snags. The licensed capacity is 40,000 sq metres per annum. Production in the first year is expected to attain 60% of the installed capacity, 70% in the second, and 80% in the third.

Currently, MML operates 13 granite

quarries in Karnataka, with the state government having reserved the quarrying of high-value black, pink and grey granites exclusively for the company — an act that is perceived as being discriminatory by private sector granite processors.

Krishna Murthy however rebuts the charge that MML is thriving at the cost of the private sector. "We entered the granite business only in 1982 and by that time the mining leases for the better grades of granite had already been granted to the private sector. We were left with second grade granite quarries. Besides, the lease conditions are the same for both the government company and the private sector. They (private entrepreneurs) have had their day. Now it is our turn. And why not? A substantial percentage of the profits we make go to the government and through it to the public at large," argues Krishna Murthy.

Buyer reluctance. However, not everything MML has touched has turned into gold. The company is hard put to export the quartz extracted from its new mine in Belgumba (Karnataka). Overseas buyers are understandably reluctant to place orders on the ground that the purity of the 'dressed' material in particular is not up to the level desired. This year, about 1,000 tonnes of 'undressed material' and 1,200 tonnes of dressed material has already been produced. Efforts are being made, according to Krishna Murthy, to sell the dressed material locally and also to find buyers abroad who would accept it the way it is.

On the minus side again, MML's stoneware pipe (for underground drainage systems) factory in Bageshpur, Hassan, has been in the red ever since it went into commercial production in July 1983. The factory has been plagued by technical and productivity problems. "To make the plant economically viable we have decided to engage the services of a ceramic consultant," says Krishna Murthy.

On balance though, MML has done creditably for a public sector company, a fact acknowledged by a grateful state government through a commendatory letter to Krishna Murthy from the state's commissioner of industries. And well it might: MML's contributions to the state exchequer by way of royalty, sales tax, interest and dividend in 1984-85 totalled Rs. 1.04 crores, even as its equity share capital remains stagnant at Rs. 52.51 lakhs. Little wonder that the management of the company is reportedly contemplating a public issue of preference shares.

N. RAGHAVAN IN BANGALORE

Pioneering venture

The runaway television boom in the country has sent advertising budgets spiralling heavenward, even as it has exposed the ritzy world of advertising to the unparalleled reach of the idiot box. Yet, for both advertisers and the advertising agencies, undertaking cost-benefit analyses of the money spent on advertising particular brands on television are usually shot-in-the-dark exercises due to the lack of sophisticated audience measurement systems.



Tripathi: definite advantages

However, this problem may well disappear with the launch of the Indian National Television Audience Measurement (INTAM) service later this year. INTAM is being undertaken jointly by Mediasearch — the specialist media research and planning division of the Bombay-based Marketing & Research Group Pvt. Ltd. (MARG) — and Pathfinders, the market research division of Lintas. India Ltd.

Comments Praveen Tripathi (29), an electrical engineering graduate of IIT, Kanpur and an alumnus of IIM-A who has recently taken charge as general manager of Mediasearch: "We plan to install television meters in about 2,500 households spread over 20 towns. These meters will measure whether the television set is switched on in the different time slots as also the number of people viewing a particular programme at that time. The data gathered will enable the advertising agencies to develop more effective media plans."

According to Tripathi, INTAM offers definite advantages over both the existing television audience measurement techniques, *viz.* testing programme recall and maintaining household diaries to jot down the programmes viewed: "In the case of recall, the dependence on memory is extremely high and experiments conducted by us on the recall method has indicated that the results are unsatisfactory. And the trouble with the diaries' method is that people generally don't fill them in regularly. Indeed, in a survey conducted by us, 50% of those interviewed admitted that they didn't fill in their diaries simultaneously while viewing the programme, which they were supposed to do," says Tripathi.

Scheduling efficiency. The initial capital investment in INTAM is estimated at Rs. 50 lakhs, which would primarily comprise the cost of the meters. In addition, there will be an annual recurring expenditure of Rs. 15 lakhs. Tripathi expects to have the reports of the survey available from April 1987 onwards and depending on the number of subscribers, it would be priced between Rs. 1,00,000-3,00,000 per annum. "Even a 1% improvement in advertisement scheduling efficiency on television will result in an aggregate saving of Rs. 90 lakhs to advertisers and thus INTAM will more than pay for itself," he says.

Meanwhile, Mediasearch is also pressing ahead with the National Readership Survey (NRS) IV. Undertaken in collaboration with the Indian Market Research Bureau, NRS IV, which will have a sample size of 90,000 people, is expected to be ready for advertisers and publishers by April-May 1987. Also on the drawing board are two other national surveys — a children's media survey and a directors' media survey.

"The NRS has been the bible for media planners. But because the NRS tries to fulfil several needs, it cannot fulfil certain specific needs. Hence these two specific surveys," says Tripathi. Mediasearch has already completed the upmarket media survey which, according to him has been well received by advertisers and advertising agencies.

However, unlike these 'one-time' surveys which are conducted once in three or four years, INTAM will be undertaken on an ongoing basis with subscribers receiving weekly audience measurement reports. And given the fact that the advertising expenditure on television is skyrocketing — from Rs. 20 crores in 1983-84 to a projected Rs. 90 crores in 1986-87 — there is little doubt that the Mediasearch-Pathfinders' pioneering venture will be well received by the advertising fraternity.

BINU S. THOMAS IN BOMBAY

A structural sensation!
Conceived, designed and executed by Nagarjuna Coated Tubes.

The Jawaharlal Nehru Indoor Stadium, Cuttack.

India's first 67 meters free span tubular structure built with only 104 tonnes of Superyield flo coat tubes!





w of the Space Frame Structure

Today, the Jawaharlal Nehru Indoor Stadium is a marvel in structural designing. Built to seat 7000 spectators, it has a 67m diameter space dome whose inner crown rests 32m above floor level!

Apart from achieving this extraordinary structural feat, Superyield "35/38" also proved to have several other advantages:

- **Saving National steel resources**
  Originally, the design had been conceived with conventional sections utilising 320 tonnes of steel. NCT's superyield "35/38" did the same job using just 104 tonnes.
- **A cost effective alternative**
  Superyield "35/38" flo coat tubes brought down the original project cost by 10%.
- **Corrosion resistant and maintenance free**
  Manufactured by the flo coat technology — a unique process of triple coating, NCT tubes are completely corrosion resistant.

In just two and a half years since commercial production, NCT has successfully implemented 78 projects with many more on the way. Another such project is a 88 metres free span structure, the largest and the first of its kind in India.

Our list of clients include several private and government organisations using NCT tubes for electrical, structural and general engineering applications. Today we have all the facilities required to meet any specifications.

For your requirements of factory sheds, scaffolding, storage racking systems please write to:

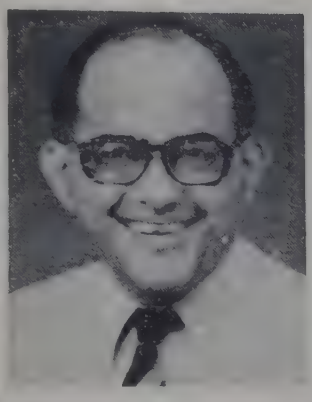
NCT
adds life to metals
Nagarjuna Coated Tubes Limited
41, Nagarjuna Hills, Punjagutta, Hyderabad-500 482.

Regional Offices:
• Calcutta 445402, 442887 • New Delhi 5722109
• Madras 415888 • Bombay 2020726, 2023015

Sista's/NCT/44/86

Limits of accountability

S.L. RAO



Events in recent years have compelled managers in industry to think carefully about the nature, extent and limits of their accountability.

Soon after the Janata assumed power in New Delhi, some top industrialists were arrested because, it was charged, they had contributed to the Congress party funds on behalf of their companies. A few days after the ghastly gas leak at Bhopal, the non-executive chairman of Union Carbide India Ltd., Keshub Mahindra and Warren Anderson, the chairman of Union Carbide Corporation, the principal shareholding company, were arrested, as were other senior officials including the plant manager at Bhopal. Recently the managing director and other senior managers of Bata India Ltd. were arrested for alleged wrong claims in respect of import replenishments.

We have also read about or heard of top managers of companies being arrested, or of those who have had to seek anticipatory bail against possible arrest. The charges have related to violations of excise laws, excise or customs duty evasion, foreign exchange violations, etc. The so-called offenders have included members of family controlled businesses as well as employee managers in top positions in so-called professionally managed companies. Against this backdrop it is understandable that managers have begun to ask searching questions about accountability: to whom, for what, and where the buck must stop.

OVERRIDING PRINCIPLE

The standard answer to the question: 'to whom are managers accountable?' is that they are accountable to all the stakeholders in the business. They have to reconcile the interests of shareholders, customers, suppliers, financial institutions, government, employees and society as a whole as well as any other group which is likely to be affected by the business. The overriding principle is that they must conform to the laws, rules and regulations of the nation, the state and the local administration.

All this is very logical. But it does not take into account the complexities and contradictions of managing a business. If a business depends heavily on government contracts and the manager is pressurised to confer some favours on a bureaucrat or a politician who can, if he is so inclined, divert work to a competitor, what does he do? Does he refuse the favour and let his shareholders and employees suffer as the business declines? Or does he blow the whistle and spend valuable time fighting in the courts, while at the same time be identified by others in the administration as a troublemaker, with further unwelcome consequences for his business?

It is easy to demand that the manager be, like Caeser's wife, above all suspicion—no cutting corners around the difficulties of a regulated, regimented, shortage-ridden economy. It is also easy to complain about the slow pace of industrial growth. Obviously, there are limits to this line of argument. For example, there is no excuse for falsifying production or other records, evasion, cheating, embezzlement, etc.

The question: 'for what are managers accountable?' has been answered in a host of writings and speeches. He has to perform effectively. He must provide a high quality of goods and services and produce them efficiently, that is, at the lowest cost. He must constantly improve productivity so that he neither allows inflationary pressures to increase prices for the consumers nor erode his company's profitability.

While all these are the manager's task requirements, he must achieve all this in an environment of multiple regulations and controls. He has to provide information to several regulatory bodies. He is subservient to monopoly public utilities, operating in a climate of shortages in which getting power, a telephone or telex connection, keeping the facilities operational, procuring a railway wagon, ensuring the supply of enough water and so on, are feats calling for time, tact and tenacity.

In dealing with his workers, he must also contend with outside 'leaders' whose interests are not always the same as that of the business. His wage costs are affected by factors such as government decisions on dearness allowances and bonus. He is not free to deal with his workers as part of a business in which everyone in it has the common objective of making the business grow. At every stage he is dealing with government or its surrogate, the public utility, and is in constant danger of violating some obscure law, rule or procedure. That despite such constraints so many companies in India are successful is a tribute to the entreprenurial abilities of Indian managers.

'We must be careful in our search for accountability to ensure that we do not end up with scapegoats, or with managers whose primary motivation is to 'protect their backs' or even worse, to work by the rule book'

RULE BOOK

It is much more difficult to answer the question: 'where does the buck stop?' Most reputable companies have books of rules; manuals for sales, production, quality control, purchase, safety, etc. Work-to-rule is seen by most people as a form of protest, and sometimes of malingering. We all know that efficiency and speed require that some rules are ignored. The successful company is one that has a supervisory chain which knows which rules can be safely flouted and to what extent.

Perhaps that is because it is accepted that their role is to ensure that there are manuals and the required equipment; that there is training in their use; that there are enough people to oversee how well they are used; and that periodical reviews are conducted. The direct responsibility has to rest with the man on the spot, subject to his superiors having provided him with the requisite support to do his job.

We must be careful in our search for accountability to ensure that we do not end up with scapegoats, or with managers whose primary motivation is to 'protect their backs' or even worse, to work by the rule book.

The Stability and Success of an Organisation depends on the Strength of its Foundation.

RALLIS have indeed come a long way since its foundation laid over 130 years ago with a vision that the Company would grow into a stable and successful organisation dealing in AGROCHEMICALS, CONSUMER DURABLES, ENGINEERING, PHARMACEUTICALS AND EXPORTS.

Today it is with a sense of satisfaction we say that keeping with the time we have further strengthened our foundations by redefining our objectives and taking such measures to perpetuate a progressive and result oriented Company

It has been the result of a well conceived and purposeful plan which has helped the Company to secure its operating base; by utilizing our inhouse expertise and inherent strengths.
To support the Company's future growth we continue to increase our R&D efforts. Emphasis today is on modernisation and diversification, a programme that is synergetic with our strengths and expertise.

We at Rallis look forward to a future of ever increasing opportunity and growth for we believe "better people make better products for the betterment of people".



RIL/201 A-86

Helping People in all walks of life.

RALLIS
Multi-Technology Group

AGROCHEMICALS
CONSUMER DURABLES
ENGINEERING
FINE CHEMICALS
PHARMACEUTICALS
EXPORT HOUSE

Pick of the jobs



There's good news for those in senior management positions, who are looking for a change of working environment. According to Dr. K.K. Anand, director of the Bombay-based Anand Consultants, a number of companies are looking around for high-calibre chief executives, presidents and managing directors in their early forties. "They should have achieved excellence in their functional areas, e.g. marketing, finance or production; they should have breadth of vision and outlook; they should be presentable and should not be job hoppers. Senior managers having these qualities can command any price currently," says Anand.

Anand Consultants has been receiving a number of enquiries for candidates man chief executive positions, from medium and large companies. Dr. Anand is willing to meet high-calibre functional men who are looking for a change, and is willing to spend time counselling them on whether to change their jobs and if so, how to go about it.

VICE PRESIDENT—FINANCE



More specifically, Anand Consultants is looking for a vice president (finance) for a huge multi-division company based in Bombay with an annual sales turnover of more than Rs. 100 crores. For this top level job, candidates should be chartered accountants, between 40-50 years of age and should have worked in large professional companies in senior positions. The most effective person will be someone who is highly cost-conscious and can bring about cost-optimisation and cost-effectiveness in the company's operations.

The compensation package offered is described as "hefty" and higher expectations will not debar a candidate.

Enquiries to Anand Consultants, 109 Bajaj Bhavan, Nariman Point, Bombay-400021. Tel: 2024955, 2028014

PRESIDENT



A Delhi-based engineering company with an annual sales turnover of around Rs.20 crores has enlisted the services of Anand Consultants to launch an executive search for a high calibre person to take over as chief executive.

For this top-drawer position, the ideal candidate would be one in his forties, with an impeccable engineering and marketing background, and experience in general management in blue-chip companies.

The pay packet envisaged is a generous Rs.10,000 per month plus the usual wide-ranging perquisites including residential accommodation.

CHIEF EXECUTIVE



Anand Consultants is also scouting around for a chief executive to head a reputed engineering company based in Bombay which is part of one of the biggest business houses in the country. The company has an annual sales turnover of around Rs.15 crores and it also has a prestigious foreign collaboration.

Those interested in this No.1 position should be between 40-50 years of age and should have experience in the light engineering industry and also in the marketing of high quality products. The appointee will report to the company's board of directors and will be given complete charge of the company's operations.

For the right candidate, the salary is his for the asking and there'll be an array of perquisites thrown in, including a car and residential accommodation.

FINANCE DIRECTOR

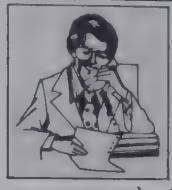


A fast growing Indian pharmaceuticals company in Bombay has also retained Anand Consultants to scour the country for a financial expert to take charge as finance director.

For this top-drawer position, aspirants should be chartered accountants or members of the Institute of Cost and Works Accountancy, be between 40-50 years of age and have a strong financial and business acumen.

The compensation package contemplated is Rs.6,000-7,000 per month plus liberal perquisites.

GENERAL MANAGER—CONSUMER ELECTRONICS



Personnel Search Services, Bombay, is looking for a general manager (consumer electronics) to take overall charge of a profit centre, i.e. the Bombay-based consumer electronics division of a well-known and diversified electronics company.

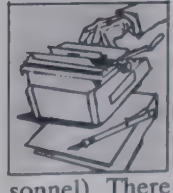
The consumer electronics division contributes a substantial part of the annual sales turnover of the company. Plans for signing a technical collaboration agreement with an internationally famous Japan-based electronics company, which will catapult the division into a leading position in the marketplace, are in the final stages of negotiation.

The position offers an excellent opportunity for candidates with good track records in the marketing and sales of consumer durables and non-durables, and who aspire for a general management level position. Other things being equal, candidates with experience in manufacturing, materials and finance at some stage in their careers will have an advantage.

The gross remuneration contemplated, including perquisites such as residential accommodation and a car, is negotiable in the vicinity of Rs.1,50,000 per annum.

Enquiries to Personnel Search Services, 45 Bajaj Bhavan, Nariman Point, Bombay-400021. Tel: 2027207, 2022885

GENERAL MANAGER—PERSONNEL



A Rs. 120 crore marketing organisation in Bombay with an employee strength of 1,300 has retained Personnel Search Services to recruit a general manager (personnel). There will be a deputy general manager (personnel), a personnel manager and an HRD manager reporting to him. The appointee will be responsible for supervising the overall personnel and industrial relations portfolio of the company.

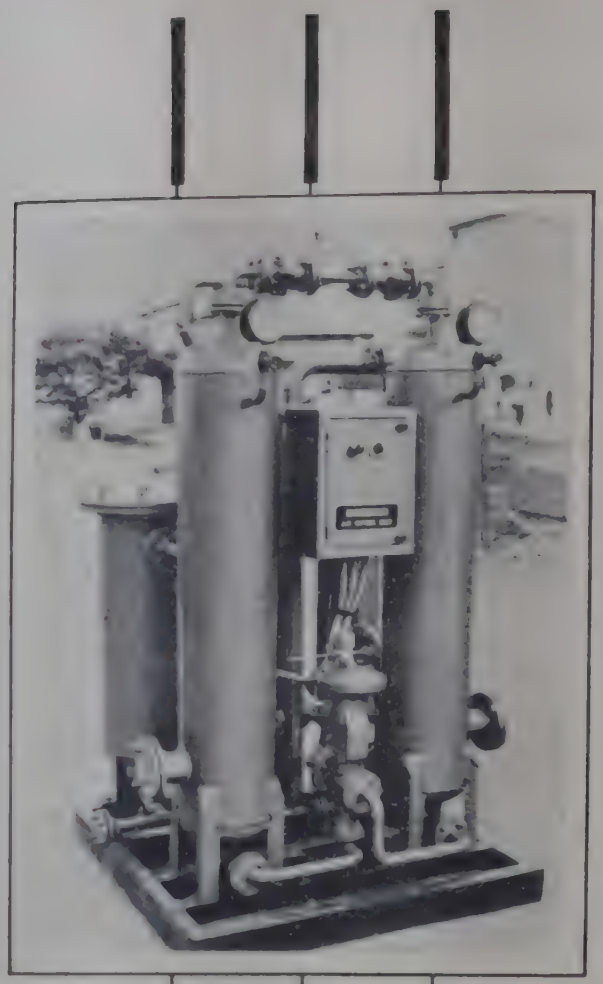
For this responsible position, aspir-

Air Drying Units

Moisture present in compressed air is very harmful for pneumatic tools, machines & instruments. Remove this moisutre by installing an AIR DRYING UNIT and make your operations smooth.

Heatless type air dryers introduced by us require only 60 watts power and virtually no maintenance.

Capacities : **upto 4000 NM^3/hr.**
Dew Point : **upto minus 80°C.**



Oxygen Generators

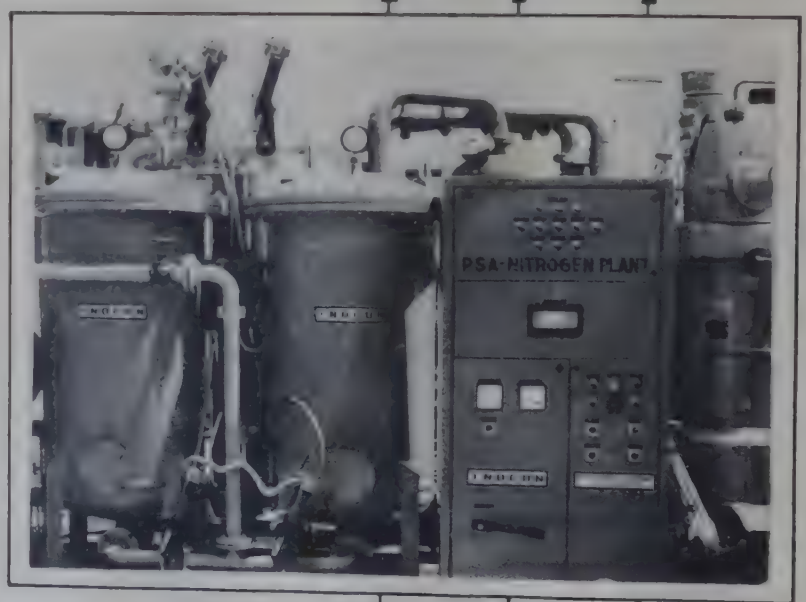
Make it yourself
LOW COST OXYGEN GAS from air by using Molecular Sieves. Cost of Oxygen generation is less than Rs. 2.00 per cu. meter.

Applications -Brazing
-Glass Making
-Air Enrichment
-Steel Lancing etc

Gas Generators

Fully automatic, skid mounted low cost units for generation of OXYGEN & NITROGEN from atmospheric air by PSA-process.

- PSA — Nitrogen Generators
- PSA — Oxygen Generators
- Fuel based NITROGEN/ENDO/EXO Gas Generators.
- Ammonia Cracking Units.
- Hydrogen Generators.



INDCON

indcon *Engineers (P) Ltd.*

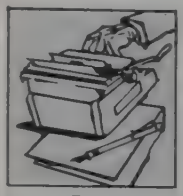
305, MANSAROVAR, 90-Nehru Place, New Delhi
Phone: 643-1908 643-6869 643-8365
Cable : INDCONEERS **Telex** : 031-61678

Aivee

ants should ideally be between 40-45 years of age with multi-faceted exposure to the HRD and industrial relations functions. Some experience in an engineering-based marketing organisation will be an additional asset.

The gross remuneration offered is Rs.1,20,000 per annum plus a company-maintained car.

HRD MANAGER—PUNE



Personnel Search Services is also scouting around for an HRD manager for a fast expanding Pune-based engineering company with a current annual sales turnover of over Rs.80 crores. The appointee will be expected to give a further impetus to the existing human resources development activities of the company.

To qualify for consideration, aspirants should have professional qualifications in personnel management and industrial relations from XLRI, TISS or any one of the IIMs, with around 10 years' experience in the HRD function.

The appointee, who will report to the general manager (personnel), will be positioned at the corporate level and will function as a resource which divisional personnel heads will be able to draw on for the development of human resources within the divisions.

The salary and perquisites contemplated are attractive and include residential accommodation and a car.

MANAGEMENT ACCOUNTANT



A multinational affiliated pharmaceuticals company in Bombay has retained Personnel Search Services to locate a management accountant to take complete charge of the MIS, budgetary control and management accounting functions within the company. For this position, aspirants should be chartered accountants, cost and works accountants or postgraduates in business management with at least five years' relevant experience.

The appointee, who will report directly to the vice president (finance), should have the initiative to develop and maintain systems in tune with the company's needs. Exposure to computerised systems will be a definite advantage.

The salary and perquisites contemplated are attractive and negotiable at around Rs.80,000 per annum.

MARKETING CONTROLLER



Career Placement & Marketing Services, Bombay, is scouting around for a dynamic marketing controller for a multinational affiliated pharmaceuticals company based in Bombay with an annual sales turnover of more than Rs.30 crores.

The ideal aspirant would be a management postgraduate in his early forties, with experience in product management and sales at a senior level. In addition, he would be an experienced marketing professional with leadership qualities and a proven track record of leading a marketing team. The job entails assuming total responsibility for the marketing function, including sales. The appointee will report directly to the managing director.

Salary expectations will not be a constraint for the right candidate and in any case will not be less than Rs.6,000 per month, salted with liberal perquisites including a residential flat and a car.

Enquiries to Career Placement & Marketing Services, P.B. No. 8105, Bombay 400 051. Tel: 6421794

ADMINISTRATION MANAGER



Career Placement & Marketing Services is also in search of an administration manager for a reputed consumer durables company in Bombay, with an annual sales turnover of around Rs.100 crores.

To qualify for consideration, candidates should be graduates, preferably with postgraduate degrees in business administration and at least 10 years' experience in administrative management. They should be between 40-45 years of age.

The appointee, who will be in charge of general administration, will have to design and implement administrative systems and procedures for the efficient and smooth running of the company.

The remuneration contemplated is Rs.5,000 per month plus liberal perquisites.

REGIONAL SALES MANAGER—DELHI



A large reputed industrial house based in the south is diversifying into new consumer products and needs a regional sales manager for its northern operations.

On its behalf, Career Placement & Marketing Services is looking around for a live-wire graduate in science or commerce, preferably with a postgraduate qualification in business administration from a reputed institution, who should be less than 40 years of age. He should have independently handled any consumer product as an area sales manager and should be capable of leading a team of area sales executives. The job also entails planning the operations of the region under his control and supervising the regional advertising and marketing portfolios.

The salary contemplated is Rs.3,500 per month plus residential accommodation and a subsidised company car.

MARKETING MANAGER



Marketing Advisory Services, Bombay, is shopping for a high-flying marketing manager for a large multinational affiliated pharmaceuticals company in Bombay. The appointee will be wholly responsible for the sales and marketing portfolios.

For this responsible position, candidates should be professionals, with proven track records in leading a marketing team and should be capable of implementing an ambitious growth plan.

The ideal candidate will be one with experience in both product management and sales and be around 40-45 years of age. A postgraduate qualification in management will be an advantage, but is not essential.

The company offers an attractive salary, a residential flat in the city, a chauffeur-driven car and liberal long-term benefits.

Enquiries to Marketing Advisory Services, 541, Eleventh Road, Bombay-400071. Tel: 5518027

Indra Gidwani

Air-India's journey into a new era

By DILIP THAKORE

By the end of this year Air-India will have added six new generation Airbus 310 aircraft to its fleet. At the same time the airline is rapidly computerising its operations. Yet the airline is augmenting its capacity at a time when the worldwide tourism industry is experiencing a downturn. Besides,there's more to managing the customer oriented airline business than the mere acquisition of sophisticated hardware. Can Air-India ever become a thoroughly modern airline?

A new and somewhat unusual electricity is surcharging the air these days in the spick-n-span but somnolent corridors of the Air-India Building in Nariman Point, Bombay. Which is not surprising considering that a flurry of activity on several fronts has spurted fresh stimulus into men and women who manage the 53-year-old public sector Air-India (operating revenue: Rs.850.01 crores in the year ended 31st March 1986), which occupies 11 floors in the massive 24-storey building that offers 5,07,916 sq ft of office accommodation in south Bombay.

This unusual display of corporate energy that the airline's 17,458 employees are exhibiting these days is not unconnected with the touchdown in Bombay on 20th April and 18th May respectively, of two fourth-generation and highly fuel-efficient Airbus A310-300 jetliners emblazoned with the Air-India colours . These are the first of the six new Airbus 310 aircraft which are likely to be inducted into the national airline by the end of the calendar year, replacing Air-India's fleet of five obsolete and fuel-guzzling Boeing 707s. When these six new generation jetliners become fully operational, they will augment Air-India's passenger capacity by almost 10% and cut its fuel bill (Rs.228.58 crores in 1984-85) by an estimated 13% annually.

Yet, though long overdue, the induction of the new generation Airbus 310 airliners at this point of time is likely to pose not a few problems for the airline's

Air-India's new Airbus A310-300: not unconnected with an unusual display of corporate energy





Air-India headquarters in Bombay: suddenly a fear of flying

management. True,the induction of the six new aircraft (priced at Rs.90.4 crores each and a leased Boeing 747 freighter in April 1986 will augment Air-India's system-wide passenger and freight capacities by a mere 9.1% and 22% respectively, which the airline's managers say is unlikely to pose any marketing problems at all. But the addition of capacity to the corporation's 21 strong fleet (nine Boeing 747s; five Boeing 707s; three Airbus 300 B4s and four leased freighters as on 1st April 1986) — however minuscule — at this point of time could turn out to be unfortunate.

This is because all of a sudden, several developments worldwide have precipitated a sharp drop in international tourist traffic. Among them: the sharp fall in the value of the dollar in relation to most currencies, particularly the yen; terrorist attacks against western tourists and Americans in particular in Europe and elsewhere; the Reagan administration's bombing raid in April against Libya; fear of the Chernobyl disaster fallout in Europe; and the generally volatile world political scenario, particularly in West Asia. Suddenly international tourism seems to have gone out of style. The fear of flying in particular, seems to have gripped an unprecedentedly large number of people worldwide, most noticeably the usually footloose, fancy-free and—more important — dollar-laden American tourists.

Indeed, so sharp has been the fall in tourist traffic across the Atlantic from the US to Europe that the editors of *Time* magazine (estimated circulation: 5.9 million per week worldwide) — that easily digestible news bible of middle America — were moved to feature a cover story (26th May) on the subject. "In Western Europe's capitals, something was conspicuously missing last week from spring's familiar street scenes. It was the sight of US tourists crowding outdoor cafes or trooping to historical monuments and museums. Fearful of terrorism, the golden horde of free spenders from across the Atlantic has been reduced to a thin stream. By the thousands, Americans have been cancelling flights, cruises, hotel bookings, car rentals, restaurant reservations and guided tours," reports *Time*.

Yet this alarming picture of a sharp drop in world tourism — and therefore of the traffic and revenues of all major airlines — does not faze Captain Dhruba Bose (57), the acerbic managing director and chief executive of Air-India. "True, over the last month or so there have been some reports that air traffic across the Atlantic has been dropping. But in my opinion this is only a temporary phenomenon for which the reasons are well known and are not likely to last. However, in Air-India's major sectors, i.e. routes in and out of India, we have not experienced any reduction in tourist traffic. In fact,the month of March was a very good one for the Indian tourism industry. Indeed, if the traffic flow into India in March is any indication, 1986 will be a very good year for tourism as far as India is concerned," says Bose.

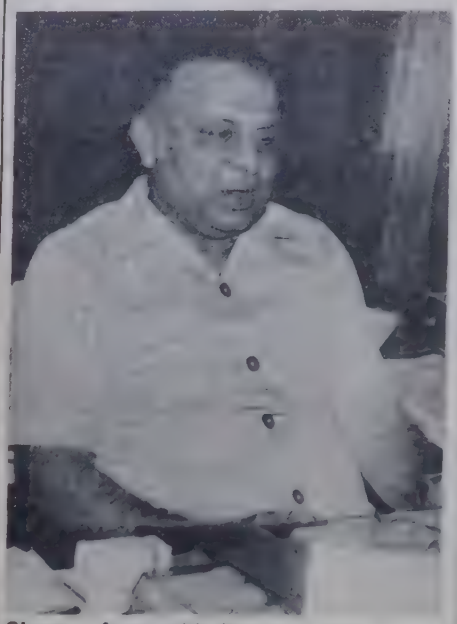
ADDITIONAL CAPACITY

Nor is Bose influenced by fears being expressed that the current time may be unfortunate for the augmentation of Air-India's passenger and freight transportation capacities. "We anticipate a growth in the traffic between India and the Far East and Japan in particular. In addition, we want to induct additional capacity on our India-Europe and India-US routes. In the circumstances, I don't consider a 9% increase of capacity in terms of atkm (available tonne kilometres) excessive. In fact, even after the six Airbus 310s are delivered by the end of the current year, we would like to again augment our capacity at an early date," adds Bose.

Quite clearly, Bose believes that the setback the airline suffered in the aftermath of the *Kanishka* disaster — conclusively attributed by the Justice Kirpal Commission to sabotage— when one of Air-India's Boeing 747s went down off the coast of Ireland with 329 passengers and crew on 23rd June 1985, is a tragic but closed chapter in the airline's history.

Air-India's operational performance statistics for the year ended 31st March 1986 seem to indicate as much. In the

BusinessWorld
June 9—22, 1986



Sharma: favourable finance terms

recently concluded year, the airline earned an operating revenue estimated at Rs.850 crores and a net profit of Rs.47.21 crores — marginally (1.76 and 1.12% respectively) higher than in 1984-85. Not a bad operational performance bearing in mind the magnitude of the *Kanishka* disaster, the loss of capacity and the wide publicity the tragedy received.

But if, despite setbacks such as the *Kanishka* disaster and the precipitous fall in current international tourism traffic, the top managers of Air-India are pressing ahead with their plans to modernise the airline's fleet, diversify its route network and augment capacity, it says a lot about their confidence in their collective ability to weather any storms that may lie ahead. Nor is this confidence foolish bravado. Over the last 53 years since it commenced doing business under the name and style of Tata Airlines Ltd. in 1933, the airline's managers have not only survived the heat of international competition, but in the process have acquired an expertise that has propelled Air-India into the front rank of the world's most profitable airlines.

According to C.L. Sharma (54), an English literature graduate of Delhi University and a former accounts officer of Indian Railways who is currently deputy managing director of Air-India, since the early eighties the ratio of net profit to operating revenue of the airline has consistently averaged 5%-6% *cf.* the industry norm of 1.2%-1.3%. Moreover, by constantly ploughing back the corporation's profits into the business, Air-India has an enviable debt-equity ratio of 0.54:1, which during the current year (1986-87), after the purchase of the six Airbus 310s is completed, will rise to 1.27:1 — well within the airline industry's norm of 1.5:1.

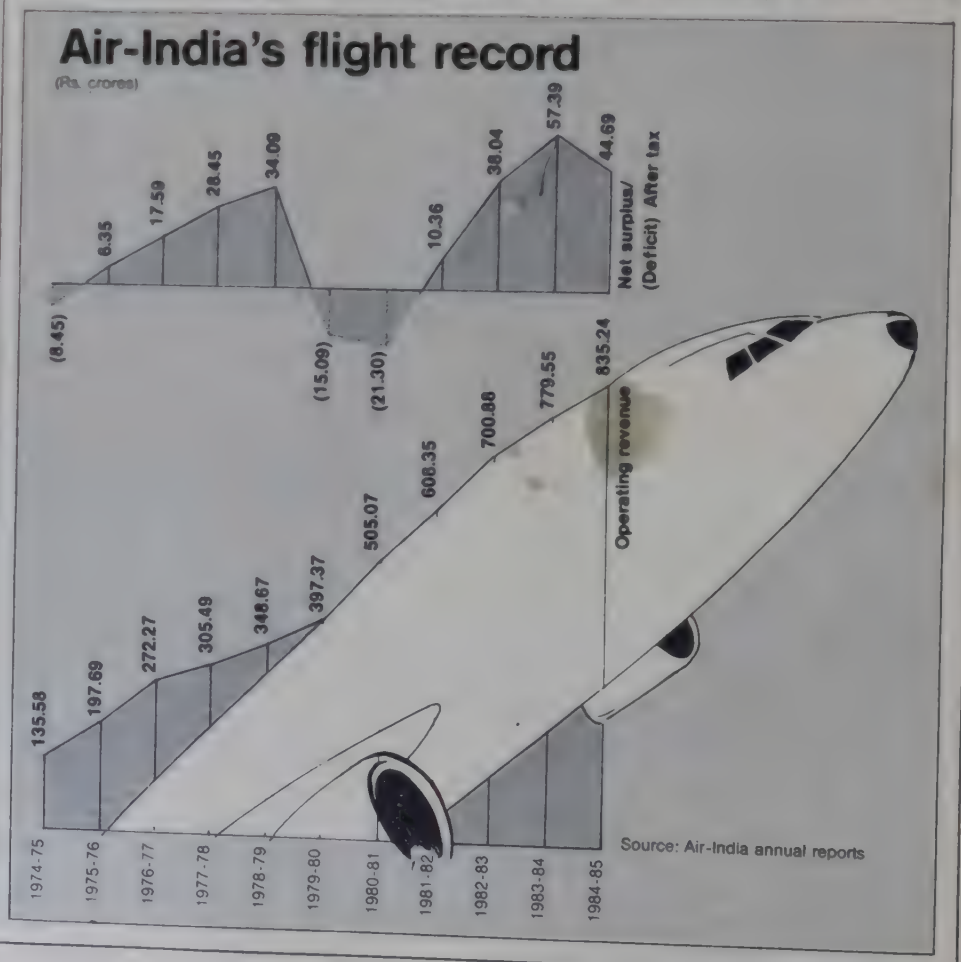
PERFORMANCE YARDSTICKS

"The yardsticks by which we measure the financial standing of an airline in the civil aviation business are to look at its return on capital employed, the average age of its fleet, its net profit which is indicative of its ability to finance its growth, and its debt-equity ratio. According to all these yardsticks, Air-India's performance is well above the industry norms," says Sharma, who supervises the finance, general administration, personnel, management services and computerisation portfolios in Air-India.

Just how well Air-India is rated abroad, if not at home, is indicated by the very favourable terms under which the corporation obtained the finance to purchase the six new Airbus 310s which are still in the process of being delivered. Of the total foreign exchange component of the loan aggregating to $443.50 million, $220 million was loaned to the airline by the export credit agencies of the member companies of the Airbus consortium (Britain, France and West Germany) at a blended fixed interest rate of 10.23%. A sum of $173 million was raised in the Eurodollar market by a syndicate of commercial banks led by Barclays Bank, UK. The rate: 1/40% over LIBOR — "the lowest interest rate in the civil aviation history of Asia," says Sharma.

Even the remaining $50 million was raised on very favourable terms as a yen denominated loan in the Japanese money market at an interest rate which is 0.5% below the Japanese long-term prime rate. "Air-India has received these loans on outstandingly favourable terms. That it has done so is indicative of the high esteem in which the airline is held in the world financial community, though some of the credit must also be given to the government of India which has guaranteed the loans and also enjoys an excellent credit rating in the world's money markets," adds Sharma.

Yet if today Air-India is creditworthy enough to attract international finance at enviably low rates of interest, it is because over the past 53 years of its existence — admittedly not without a



few goof-ups — its managers have developed the business savvy it takes to manage an international airline. While foreign bankers may be willing to admit this, the vast majority of management experts within this country are not as easily persuaded. Indeed, it is rare to encounter a monitor of the indigenous management scene who is prepared to unequivocally state that Air-India is a well managed airline.

But at the same time, it is also rare to extract a coherent argument pinpointing the alleged lapses of the Air-India management. The usual argument that the airline is too heavily dependent upon the sales and profits generated in the India-West Asia sector apart (of which more later), the sheer power of the corporation's bottom line is overwhelming evidence of its managerial efficiency.

OBVIOUS EXPLANATION

While management experts — self-styled or otherwise — tend to look for complex explanations for Air-India's 5%-6% net profit to sales (i.e. operating revenue) ratio *cf.* the average of 1.2% for the commercial civil aviation industry as a whole, the obvious explanation is perhaps the most credible. As Captain Bose comments (see interview p.57), an emphasis on the fundamentals rather than mind-bending managerial or marketing innovation is the prerequisite of success in the commercial civil aviation business.

Thus, to a significant extent Air-India's sustained profitability after 1980-81 (when it chalked up a loss of Rs.21.30 crores) is attributable to the emphasis that the airline's top management has placed on fleet modernisation, route and frequency expansion, improving ground and in-flight services and managing its temperamental 17,458 (as on 31st March 1986) employees. That they have been able to manage these basic fundamentals of the business despite being subject to the distracting pulls and pressures that as a public sector enterprise it is heir to, is not only commendable, but to a significant extent explains the corporation's enviable bottom line.

Indeed, the corporation's historians are likely to record that Bose's major contribution to the growth and development of Air-India has been that he has been able to push through a plan for the modernisation and rejuvenation of the airline's ageing fleet. The proposal to replace the airline's aged and gas-guzzling fleet of five Boeing 707s (average age age 20 years on 31st March 1985) which service Air-India's short-haul routes to South-east Asia, Japan and Africa had been mooted as early as 1978.

But torn by indecision as to which type or aircraft would be the most appropriate replacement, as also influenced by the sudden down-turn in Air-India's fortunes at the end of the seventies, the Union government — which takes such major capital investment decisions at the cabinet level — had cold storaged the proposal. Now almost a decade later, the airline's management led by Bose has piloted the airline's fleet modernisation programme through, beginning with deliveries of



Kapoor: "finest engineering base"

the Airbus 310, though an expert committee headed by JRD Tata — Air-India's first and most durable (1948-78) chairman — is believed to have recommended the Boeing 767.

FUEL EFFICIENT

Be that as it may, while the relative merits of the Boeing 767 and the Airbus 310-300 can be endlessly discussed, and even if it is conceded for the purposes of argument that the Airbus 310 was not the best choice, there is no denying that Air-India's operational and marketing muscle has been strengthened considerably. According to the airline's spokesmen, on a conservative basis the Airbus 310 is 13% more fuel efficient than Air-India's Boeing 707s, which it is in the process of replacing.

The fuel efficiency of these new aircraft could even be as much as 20% higher than that of the 707s, depending on operational conditions, say these spokesmen. Therefore, assuming 2,700 hours utilisation of the Airbus 310 per year, the saving per aircraft could be as much as Rs.2.30 crores at current fuel prices. This apart, the corporation will derive additional revenue and profit from the 25% extra passengers and cargo that it will be able to carry once all the new aircraft become operational.

Nor is this estimated reduction of 11.50 crores per year once five of the six Airbus 310s become operational, the sum total of the benefits likely to be derived by the corporation consequent upon the decision to induct this new generation airplane into its fleet. By the end of the current calendar year when the sixth Airbus 310 imprinted with Air-India's trade mark — a centaur — becomes operational, the average age of the airline's fleet (11.18 years on 31st March 1986) will drop to 5.98 years — an invaluable selling point for Air-India's marketing men.

This modern and fuel efficient fleet will be backed up by a corporate resource the importance of which tends to be overlooked, but which is vital for the efficient functioning of a commercial airline which by definition is engaged in a high risk business: its engineering base.

"Air-India certainly has the finest engineering base among all the third world airlines and one which is as efficient and thorough as that of any airline in the world. This statement is supported not only by the fact that Air-India has been certificated by the Federal Aviation Administration, USA to overhaul and maintain the Pratt & Whitney and General Electric engines for the Boeing 747 and Airbus aircraft, but also by the fact that engineers trained by us are in great demand the world over," says H.C. Kapoor (56), deputy managing director of Air-India. One of the two managing directors of the airline (the other is C.L. Sharma, quoted earlier), the diminutive Kapoor supervises the engineering, operations, in-flight service, ground handling and security portfolios in Air-India.

CONTINUOUS DRAIN

Indeed, until recently, the high quality of Air-India's engineering and maintenance personnel had become more than a bit of a problem for the airline's management. Given the management's inability — because of government rules limiting the maximum public sector salaries to Rs.4,000 per month plus marginal allowances — to pay internationally comparable wages and salaries, the airline has suffered a continuous drain of expensively trained (estimated cost of training: Rs.1 lakh per capita) engineers and maintenance men. Despite trainee engineers being

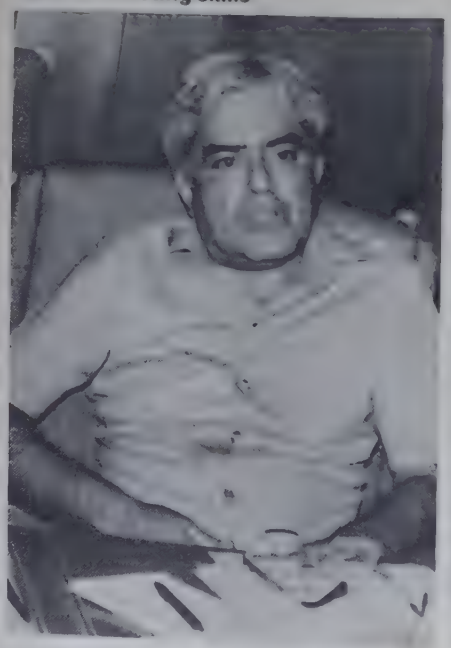
made to sign a five year service contract which can be terminated only by the payment of a fine of Rs.10,000, the drain has not stopped.

"Because of the slowdown in the growth rates of international airlines, the outflow of engineers and maintenance personnel from Air-India is not as big a problem now as it used to be. But the drain continues. And since we can't match the salaries of foreign-based airlines, we have a continuous and ongoing induction and training programme in our 3,626-strong engineering division," says Kapoor.

This problem — a peculiar derivative of the penny-wise pound-foolish socialism that the *neta-babu* combine has imposed upon the Indian economy — notwithstanding, there is no gainsaying that Air-India has a good and well maintained 'product.' And by the end of the current calendar year the product, i.e. its fleet of 23 aircraft, will look much younger and more alluring. Yet while the marketing job of the airline's 4,366 employees worldwide in the commercial department — the largest department in Air-India in terms of employee strength — will undoubtedly become easier, they will also be confronted with the prospect of selling additional capacity in a market which has suddenly experienced a down-turn.

But this prospect does not discomfit H.K. Malik (53), a graduate in English literature of Delhi University and a former lecturer in the subject who served for several years in the Thapar group of companies prior to signing up with Air-India in 1957. Currently Malik is the commercial director of Air-India and supervises the marketing and sales functions within the airline. "Over the years, as our operational results indicate, we have built up a considerable pool of marketing skills within Air-India. These skills have been learned in tough international markets in which the pressure of competition is severe. With the expertise we have acquired, I don't foresee any major problems in successfully marketing our existing and additional capacities despite indications that 1986-87 is likely to be a tough year for the civil aviation industry," he says.

Malik: marketing skills



While Malik admits that the India-West Asia route is Air-India's most profitable sector, he takes pains to emphasise that the airline's profitability is not wholly dependent upon its India-West Asia operations. "On all routes we generate surpluses over cash costs and all our 40 offices worldwide are earning more than they are spending. I am in a position to say this because we are taking tough business decisions and are withdrawing services on unprofitable routes. Thus in 1984 we closed down our services to Amsterdam and Accra and in 1985 to Addis Ababa. This year we have already stopped flying to Perth, Cairo and Saana, while at the same time increasing the frequency and speed of our services in more profitable sectors. True, the Gulf sector is our most profitable one, but we are not wholly dependent on it," says Malik.

THRUST AREAS

To gear Air-India for the marketing challenges ahead, Malik has identified four thrust areas for the commercial department. These are: improving passenger facilitation services at the notoriously inefficient Bombay and Delhi international airports resulting in faster and more comfortable check-in and clearance; mechanising the airline's cargo handling system to make it faster and safer; according recognition to loyal passengers; and offering holiday schemes to tourists overflying India to touchdown in India by flying the national airline.

"I expect a big increase in our cargo business which contributed 38%of Air-India's net profit in 1985-86, the current year. With the gradual induction of our new aircraft, I am also optimistic about increasing our passenger revenue. But I have no illusions that this will be a tough year. There is considerable overcapacity in most airlines and the pressure is mounting for deregulation of fares in Britain and the EEC which means reduced earnings. In addition, there is the ever present threat of terrorists and adverse political developments," says Malik.

"On all routes we generate surpluses over cash costs and all our 40 offices worldwide are earning more than they are spending. I am in a position to say this because we are taking tough business decisions and are withdrawing services on unprofitable routes "

Yet if Air-India's marketing men are gearing to sell more seats and cargo space in an increasingly difficult international marketplace, the most obvious manifestation of their seriousness of intent is the speed with which the airline is computerising its operations. Currently only the passenger reservation system of Air-India is computerised. But by the end of the current calendar year, departure control and check-in pre-paid ticket advices will be computerised as well. Also, by the end of the current year, computerised cargo and administrative message-switching and corporate managements systems will become operational as four fourth-generation computer systems begin humming within the airline.

"The thrust of our computerisation programme is to use computers for marketing and to provide constantly improving services for passengers. Currently our investment in computer hardware is Rs.10 crores — Rs.6 crores for central site hardware and Rs.4 crores in our 1,000 terminals worldwide. By the time your article appears in print, fourth-generation hardware valued at an additional Rs.8 crores will have been added on to existing systems. This hardware includes a DCP 40 front-end computer system linked to nodal points, i.e. Bahrain, London and Hong Kong in the Societe Internationale de Telecommunication Aeronautiques (SITA) network. This fourth-generation front-end computer will be linked to our own concentrators in Delhi, Bombay, Calcutta and Madras, which in turn will be con-

nected to real time terminals in 16 cities in India, facilitating instant reservations all over the country," says P. Jayant (56), deputy director (management services) of Air-India. In this capacity Jayant supervises the computer and information management functions within the airline.

WHOLE HOG

According to Jayant, the corporation's management has taken the decision to go the whole hog in computerising Air-India's operations to bring it on a par with the world's modern airlines. Right now Jayant and his team of 150 skilled computerniks are in the process of devising a plan to install leased personal computers within the premises of major travel agents and link them up with Air-India's passenger reservation system. This will improve the efficiency of travel agencies as well as provide instant information about seat availability on the airline's entire route network.



Jayant: extensive computerisation

Moreover, on the airline's computer systems, Jayant and his team have developed software which will provide complete information on hotels and instant reservations at the points of departure abroad for passengers travelling to India."Air-India is the first Indian company to make such extensive use of computers. The fact that over the next three years we are budgeted to spend Rs.27 crores in this division and that we have a Rs.14 crore annual recurring expenditure budget is an indicator of Air-India's commitment to the computerisation of its operations," says Jayant.



Pillai in Air-India's new terminal in Bombay: marketing advantage

But enthusiastic as he is about the computerisation of Air-India's operations, which he believes will transform the corporation into a modern world class airline, Jayant is careful to allay the concomitant labour displacement fears of Air-India's 17,458 employees. "Reports to the effect that we have retrenched some employees because of our computerisation programme are completely without foundation. The only consequence of computerisation that I foresee is a change in the pattern of future recruitment. In future the emphasis will increasingly be on hiring skilled information workers. But at the same time there will be an on-going programme to upgrade the skills of all employees to manage these new information technologies and enrich existing jobs," says Jayant reassuringly.

Undoubtedly, Air-India's massive drive to computerise the gamut of its operations ranging from real time reservations in aircraft and hotels to cargo, message relaying and corporate planning will make the jobs of its marketing men — lumbered as they are with the job of selling a third world airline in an international market dominated by first world travellers — a lot easier.

INADEQUATE SYSTEMS

Yet another indicator of the earnestness of Air-India's marketing thrust is that its management has implicitly admitted that its passenger handling systems are inadequate. More to the point, it has taken some important first steps to remedy this long swept-under-the-carpet lacuna.

On 9th March this year, Air-India inaugurated its own 36,000 sq metre, Rs.42 crore passenger handling terminal at Bombay International Airport — the airline's largest destination in terms of arrivals and departures. Leased from the chaotically managed public sector International Airports Authority of India (IAAI) at an annual rent of Rs.45 lakhs, the terminal is for the exclusive use of Air-India and the other airlines that the Indian national carrier 'handles' in India.

The gleaming and massive terminal (popularly known as module II of Bombay International Airport) doubles the number of Air-India's check-in counters from 20 earlier to 41 counters equipped with electronic baggage transfer conveyors. It also offers more seating space for economy class passengers and well appointed lounges for high-yield executive and first class passengers.

"In Air-India, we are determined to provide better service to passengers. This necessitates that we provide clean and comfortable premises. I am confident that the inauguration of the new terminal exclusively for Air-India passengers will make it easier to market the airline. The benefits of a quick and comfortable check-in and quicker clearance of in-coming passengers are not small. And in this respect we are getting all the cooperation from IAAI, customs, immigration and security personnel," says T.K.P. Pillai (55), a physics and mathematics graduate of Travancore University, who is Air-India's first commercial manager (Bombay Airport).

Pillai's ritually expressed gratitude to the notoriously inefficient and lackadaisical IAAI, customs and immigration officials nevertheless betrays an un-

spoken fear. While it can hardly be doubted that Air-India managers recognise the importance of speedy passenger clearance from the viewpoint of business development, it is doubtful if the dull and bureaucratic personnel in these allied departments share this awareness. Given that some of them are barely literate and not a few of them are on the take, Air-India's expensive passenger facilitation experiment could come unstuck unless Pillai is able to educate the officials of these government departments to appreciate the value of passengers' time.

Nevertheless, it can hardly be disputed that the somewhat belated awareness of the marketing value of providing a smooth and efficient service to passengers from the moment they make a decision to travel until their arrival at their destination, is a step in the right direction. Indeed, of late there is also a healthy awareness within the top management of the airline of the need to develop the human resources of the public sector corporation in general, and to improve their customer orientation in particular.

BETTER SERVICE

"The strongest selling point of Air-India is the quality of the in-flight service it offers passengers who fly with us. I believe that the in-flight service provided by Air-India is better than that of most airlines. Our in-flight and passenger reservation personnel are usually upper middle class, well educated and have a good knowledge of English and at least one Indian language. Now with the computerisation of our passenger reservation and check-in systems, our reservation staff will also be able to provide a much better service than hitherto," says S.K. Nanda (56), director (manpower planning and development) of Air-India. A biology and law graduate of Rajasthan University and the Tata Institute of Social Sciences, Nanda signed up with Air-India in 1968 after serving in the Birla and Tata groups and the public sector HMT in the personnel function.

According to Nanda, the top management of Air-India has also taken the decision to widen the ambit and accelerate the tempo of its management development programmes. In its recently concluded year, Nanda's department conducted 15 in-house management development programmes of one to four days' duration for 252 of the airline's 2,000 managers. In addition, 235 managers were sent for external training programmes in India and abroad.

"We intend to make extensive use of reputable management institutes such as the IIMs to train our managers and we are also drawing up plans to send promising managers abroad to reputed institutions such as Henley Staff College and Harvard Business School," says Nanda, who adds that during the current year, Air-India intends inducting 30 management trainees and 50 technical graduates.



Nanda: development emphasis

This flurry of constructive activity within Air-India over the past quinquennium when the airline has flown out of the red into the black, has certainly made a beneficial impact on the operations of the airline. "Over the past two years or so, since its real time computerised reservation system began to function smoothly, Air-India – whose in-flight service especially in the executive and first classes has always been excellent – has emerged as a world class airline. Financially too, since the early eighties it has recorded a remarkable performance which quite frankly I am at a loss to explain," says Arun Desai (53), managing director of the Bombay-based Telstar Travels Pvt. Ltd., and secretary general of the Travel Agents Association of India.

WORLD CLASS

Certainly, there is reason to believe that with the induction of its real time computerised reservation system and the spread of awareness within the public sector airline that customers must be wooed and won rather than badgered and bullied, Air-India has emerged as a medium-sized – and it is only medium-sized (see box p. 58) – international airline of world class. The concurrent induction of six wide-bodied new generation Airbus 310s and the inauguration of its new terminal in Bombay (and later one in New Delhi) is likely to enhance its attractions for the growing number of air travellers the world over.

But this is not to say that the airline is cruising into a clear blue horizon. There are many lurking squalls on its flight path which could throw the airline's sales and profitability projections out of joint.

For one, despite the assertions of commercial director H.K. Malik (quoted earlier) to the contrary, Air-India is much too heavily dependent upon the flow of passenger traffic between India and West Asian destinations. Significantly, despite being pressed, Malik declined to divulge the profitability or even the sales figures relating to Air-India's major routes.

Just how sensitive a subject this is, is also indicated by the data divulged in the airline's annual report for 1984-85 – the latest available. While the average load factors on the major routes are given, even this statistic is omitted for the India-Gulf sector.

Incidentally, when figures relating to Air-India's operating profit on this lucrative route were last leaked out, i.e. for the year 1982-83, it was Rs.94.96 crores *cf.* the airline's operating profit of Rs.61.50 crores in that year. In short,

'... another unwelcome development is the rumblings of discontent among the rank and file of the corporation's 17,458 employees'

operations on this sector subsidised the losses on all the other routes. And it is hardly a secret that in the wake of plunging crude oil prices in the world market, passenger traffic on this route is declining.

The imminent fall in the volume of traffic in its most lucrative sector apart, another unwelcome development is the rumblings of discontent among the rank and file of the corporation's 17,458 employees. On 16th May, as a consequence of a secret ballot held under a tripartite agreement between the Air-India management and three unions, the Air-India Employees' Guild has emerged as the majority union and sole bargaining agent of the airline's non-technical employees, ousting the Air Corporation Employees Union (ACEU) which claims a membership of 18,000 in Air-India and Indian Airlines. This apart, the Air-India management also has to negotiate with nine unions representing employees divided along craft lines.

Moreover, unlike the ACEU which has represented labour interests in Air-India for over three decades, the top

Let's face it.
Safari is not a showpiece.
It's the luggage that roughs it out. Anywhere.

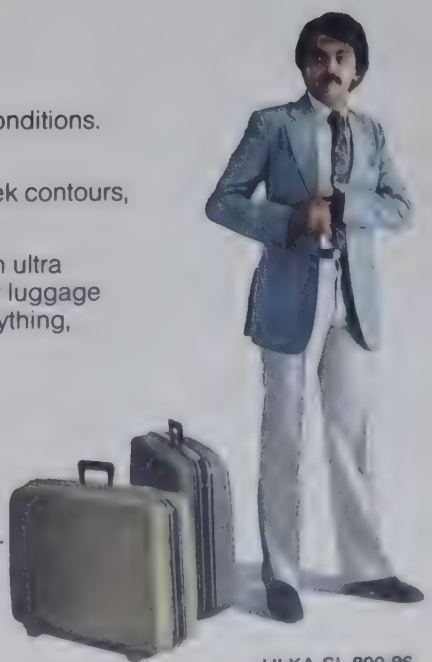


No matter how you travel, where and how often, Safari endures the worst conditions. That's the honest truth.

That's why we put so much into this luggage. The streamlined look, the sleek contours, the smooth finish are routine for our fanatical craftsmen.

Now consider the raw stamina of Safari. Made of the toughest material in an ultra modern plant, Safari endures shocks, rough handling, the pressure of other luggage on top of it, jerky take offs and turbulent landings. It never gets rattled by anything, anywhere.

Safari. It survives.



safari

The luggage that knows its business.

ULKA-SL-800-86

When it comes to Uptron Computers and Data Communication, once is not enough...

for Air-India, State Bank, Dept. of Science & Technology, Hindustan Machine Tools, Indo Burmah Petroleum, Bharat Heavy Electricals, Hindustan Aeronautics, the Indian Institutes of Technology, Central Excise Dept., Indian Space Research Organisation, and many others.

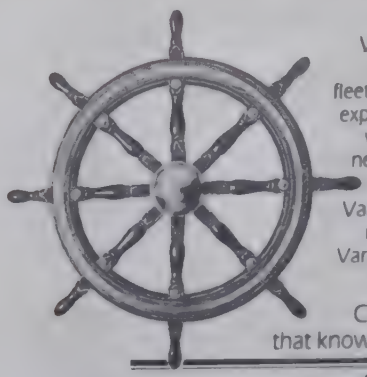




UPTRON

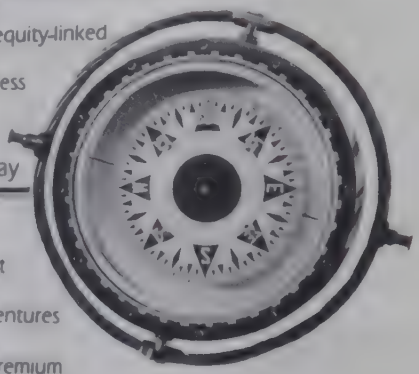
10 Ashok Marg

● Bombay ● Bangalore ● Calcutta ● Hyderabad
● Lucknow ● Madras ● New Delhi



Varun's success lies in its management skill
A tough breed of professionals deploying its fleet in strategic areas — serving offshore oil exploration and moving of petroleum products, vegetable oil and industrial chemicals. Acquiring new ships when the price is low, knowing when to expand in areas where it pays
Varun is now going public with equity-linked non-convertible debentures.
Varun would like to share its success with new investors

Come, share in a company that knows how to make shipping pay



Highlights

- A KHATAU ENTERPRISE
- Two successive BONUS issues in the ratio of 1:1 in past 9 months
- First Indian shipping company to issue shares and debentures to non-resident Indians on repatriation basis
- First Indian shipping company issuing shares at a premium
- DIVIDEND at 20% for two financial periods in spite of severe recession in shipping industry
- Easy liquidity — listing at Ahmedabad, Bombay & Delhi Stock Exchanges

It takes a lot more than a fleet of ships, a radar and a compass to make shipping pay



Varun Shipping Co. Ltd.

Charting new courses in growth

A Khatau Enterprise

Issue of 14,00,000 Equity Shares of Rs.10/- each for cash at a premium of Rs.2/- per Share and 1,40,000 15% Secured Non-Convertible Debentures of Rs.100/- each for cash at par.

Managers to the Issue
State Bank of India
Merchant Banking Division
Central Office,
Madame Cama Road,
Bombay 400 021

Advisors to the Issue
CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LIMITED
Regent Chambers,
Nariman Point,
Bombay 400 021

Issue opens for Non-Resident Indians on 14th June, 1986.
Issue opens for Indian Public on 23rd June, 1986.

CHAITRA-B VSC 6

"...we would again like to add to our capacity"



Dilip Thakore interviewed Captain D. Bose (57), chief executive of Air-India,in Bombay. Excerpts from the interview:

■ **By the end of the current calendar year, Air-India plans to induct six long-range Airbus A310-300s and replace the Boeing 747 which it lost over the Atlantic in June last year. Some monitors of the civil aviation business are of the opinion that this augmentation of capacity, at a time when international tourist traffic is dwindling, is likely to post major problems for Air-India. What is your comment?**

The six Airbus 310s have been purchased to augment and replace the five Boeing 707s which are being phased out. Thus the overall augmentation of capacity in our fleet is a mere 9% which, after a period of four years, in my opinion, is not much.

In fact, at an early date after the deliveries of the Airbus 310s are completed this year, we would again like to add to our capacity. We anticipate considerable growth of traffic in the Singapore sector as also the Far East sector towards Japan. In addition, we want to induct additional capacity on our US and Europe routes. In the circumstances, I don't think an addition of 9% to capacity is excessive. Regarding international air traffic, I don't quite agree with the view that it is declining. True, currently there is a slight dip in international tourism. But actually, international tourism is experiencing boom conditions.

■ **The general impression is that Air-India's enviable profitability continues to be dangerously dependent upon its India-West Asia operations. To what extent is this impression justified?**

Well, it would be foolish for any airline not to make the best of an available opportunity. The boom in traffic on the Indo-Gulf route is a relatively recent phenomenon and Air-India's enviable reputation of profitability has not been built over a few years. It has been built over a period of some three decades or more. The boom in the Gulf sector has provided an opportunity and Air-India is quite sensibly taking advantage of that opportunity. It should also be understood that in this sector we are competing with 10 other airlines. This sector is not monopolised by Air-India.

But even though we don't foresee a boom in traffic on the India-Gulf sector, this does not mean that traffic in this sector will decline drastically. All these countries which have grown up on the basis of their oil wealth — United Arab Emirates, Saudi Arabia, Kuwait, Iraq — are here to stay. The traffic on this sector is not going to vanish into thin air merely because oil prices are down. They have built up infrastructures and industries and the people there have high per capita incomes. So they will continue to travel.

■ **With Air-India's capacity scheduled to expand by the end of this year, what — if any — are the new strategies that the management has devised to ensure that this additional capacity is utilised?**

Well, as I mentioned earlier, the additional capacity will be deployed on the Far East, South-east Asia and Gulf sectors. We are also expanding into Scandinavia. These are all areas of growth and we expect to obtain sufficient return on our investment on these particular sectors.

I am all for innovative marketing. But when you come down to brass tacks, there are certain basic fundamental criteria that any traveller looks at — the availability of instant reservation and checking-in facilities, punctuality, good in-flight service and comfortable seats. Air-India provides all these benefits to its passengers.

Fundamentally, managing an airline does not require innovative marketing as such, particularly the kind of innovative marketing which in airline's parlance means cutting fares drastically. This is the strategy of a losing airline, not that of Air-India.

Instead, Air-India has invested in computerisation, in giving faster reservations to our passengers, and in improving in-flight services which require continuous attention. Our on-time departure at 94% is good.

■ **The report of the Arjun Sengupta Committee, whose recommendations have been accepted in part by the Union government, has emphasised the importance of maintaining the autonomy of public sector corporations. Are you satisfied with the degree of autonomy that Air-India enjoys?**

I am fully satisfied with the degree of autonomy that Air-India enjoys. The management of the airline takes the decisions in all the major areas, though certain financial aspects of a particular decision require the Union government's approval. This is usually after we have taken the decision and invariably I have found the government to be highly receptive to our proposals and nowadays it has been very quick in responding.

Today more than ever, Air-India and the civil aviation ministry are working as a team. As per the Air Corporation Act, certain matters require government approval. Apart from these matters, nothing else is required to be referred to the government.

■ **Looking ahead to the end of the Seventh Plan period, what future do you foresee for Air-India and the international civil aviation business in general?**

I would like to picturise the scenario at the beginning of the Eighth Plan. One, competition will continue to remain very fierce and only highly efficient airlines will be successful. Air-India will have diversified its route network so it won't be dependent on any one sector. Unless there is a recession in the world economy — which I don't foresee — we expect to retain our current position in the international airline industry.

Despite temporary setbacks, tourist traffic is growing and so is business traffic. Over the next five years we plan to expand the business class accommodation in our aircraft and also to adjust route timings to suit business travellers. At the same time, international air freight service is also increasing and Air-India has augmented its cargo capacity at just the right time. Indeed, I believe that Air-India will have to continue to augment its capacity, though at a moderate pace of say 4% in terms of atkm. All in all I believe Air-India will continue to remain one of the world's more profitable airlines.

leadership of the guild is not employed in the airline. This development is coterminus with the negotiation of a new charter of demands presented to the management by the Guild and the ACEU. "With the emergence of a union with an outside leadership as the sole bargaining agent of the workers, the future has become unpredictable. I foresee a period of troubled industrial relations in Air-India," says L.K. Gramopadhye (56), an economics graduate of Bombay University and secretary of the ACEU.

The uncertainty clouding operations on its most profitable route and rumblings on the labour front apart, another danger that could ground the Air-India management's high-flying plans is endemic to the public sector as a whole, *viz.* irrational *neta-babu* interference. As a high profile and profitable public sector enterprise which offers the much prized perk of foreign travel, Air-India has always received the unwelcome attentions and importunities of politicians and bureaucrats who characteristically tend to view it as a gravy train.

ARDUOUS TASK

Consequently the pressures in matters relating to employment, promotions, free passages, upgradation, etc., which the airline's managers are subject to, are intense. No less than seven committees of Parliament – including one whose job is to ensure the propagation of Hindi within the national airline – make it a point to scrutinise its operations, which arduous task often necessitates their having to visit far-flung foreign destinations.

Not infrequently, political interference assumes graver dimensions. According to reliable sources within Air-India, B.S. Das, who was chairman and chief executive of Air-India for 11 months in 1979-80, was sacked peremptorily by the late Sanjay Gandhi through the medium of a telephone call.

Nor, during the days when the Janata government reigned and ruled in New Delhi, did JRD Tata, promoter-chairman of the airline for almost five decades, receive longer notice when he was replaced by the late Air Marshal P.C. Lal. Worse still, 68 assistant station superintendents in the airline (the junior-most management grade) had to be promoted in 1981 so that M.M. Sharma, son of A.P. Sharma, then Union Minister of civil aviation and tourism, could be promoted to the position of station superintendent.

Likewise, Captain A.M. Kapoor was appointed chairman of Air-India and Indian Airlines, and recently sacked in the most mysterious circumstances.

Air-India vs. India Today

The war of advertisements which broke out in the media in April between Air-India and the Delhi-based fortnightly magazine *India Today* (circulation: 3.15 lakh copies per fortnight) is probably unprecedented and attracted much comment in media circles.

In its issue of March 31, 1986, *India Today* alleged that in relation to finalising contracts to lease three cargo aircraft and purchase a Boeing 747 to replace the ill-fated *Kanishka*, the Air-India management had favoured one particular company, turning down an attractive rival bid which could save the Union government Rs. 10 crores in foreign exchange per year.

According to the report, Air-India advertised in January 1985 that it was in the international market for cargo freighters to be hired on wet leases (i.e. with crew maintenance facilities and infrastructure). Six companies — most of them big names in the cargo business — responded to the tender. Among them were: Evergreen International, Cargolux and National. Another company, the London-based Connector Ltd., according to Air-India spokesmen appeared on the scene much after the offers had been evaluated.

A five member committee constituted by the Air-India management reportedly recommended in March 1985 that Air-India hire one DC-8-63 from National and a Boeing 747 freighter from Cargolux. But the Air-India management allegedly did not forward the committee's report to the Union government.

"Instead, in April, he (Captain D. Bose, managing director of the airline) wrote a letter enclosing a chart of comparative figures of offers made by each one of the six parties to aviation secretary S.S. Sidhu, seeking approval to sign a contract with Evergreen for hiring a DC-8-63, DC-8-73 and a Boeing 747 for three years," wrote Inderjit Badhwar and Prabhu Chawla who filed the story.

Closed doors. In addition, *India Today* also levelled charges that the deal to purchase a replacement for the *Kanishka* was also "struck behind closed doors between Air-India officials and the sellers."

Reacting quickly and violently to the article, on 31st March the Air-India management placed large and noticeable advertisements in nine daily newspapers, denying the charges levelled in the two page *India Today* story. "Erroneous statements, juggled dates and events, selective peeps into official files may all make a good story. But if factual data had been obtained by a journal of the standing of *India Today*, the truth would have been obvious," said Air-India's advertised admonition.

The general expectation was that the massive and highly profitable national airline (operating revenue: Rs. 850 crores; net profit: Rs. 47.21 crores in the year ended 31st March 1986) had struck back effectively by using its financial muscle. But the advertising laden *India Today* quite obviously boasts a bottom line which is also by no means unimpressive. Besides, it is not subject to the superintendence of its expenses in the same way as is Air-India. It struck back with its own rebuttal advertisement in the same nine papers.

"*India Today* did not play around with the facts of the case. It reported in a matter of public importance that has been raised by several members of the Parliament because it involves loss of foreign exchange to the country and the due process of decision making was not observed," said *India Today's* rejoinder advertisement.

Aggrieved party. Though the Air-India management did not issue a surrejoinder advertisement, Captain J.R. Martin, chief public relations officer, Air-India, stands his ground. Everything was above board, proper procedures were followed and there is no loss of foreign exchange, he maintains. The clinching argument that he advances is that Connector Ltd., the major aggrieved party in this case, was incorporated in London as recently as 1983 with an authorised capital of £100 and an issued capital of £2, apart from which it does not have any experience of the business of leasing aircraft.

"Obviously a comparison cannot be made with a scheduled operator like Evergreen who owns operates 37 aircraft and has an annual turnover exceeding $100 million" says Martin "*India Today* jumped off a cliff with a make-shift parachute designed by a guy with no experience, who virtually took them for a ride," he concludes.

And in the very near future the powers that be in New Delhi will have to take a succession decision which could have far-reaching consequences for the national airline.

On 10th June, the two year contract appointing Captain Bose as managing director and chief executive of Air-India expires by the efflux of time. Typically, until the time of writing (26th May), Bose has not been informed whether his contract will be renewed, though the general expectation within Air-India Building, Bombay is that his term will be extended to February 1987, when he attains the retirement age of 58.

Bose's natural successor within the airline is deputy managing director C.L. Sharma, who was superseded by Bose two years ago. Though a competent manager with a good track record, having been superseded once, Sharma's chances of being appointed chief executive are not rated very high. This could mean that an outsider could be inducted into the position of chief executive of the airline – a development which is unlikely to do corporate morale much good.

In 1980, after B.S. Das was summarily dismissed, former IDBI chairman Raghu Raj was inducted into the chief executive's office on the 22nd floor of Air-India Building. Raj, with not a little help from his 28-year-old executive assistant Harsh Vardhan, turned Air-India around, piloting it back into the black. But the duo's tough management style caused much bitterness and adversely affected morale within the corporation (see cover feature 'Air-India's bitter flight into the black,' *BW* April 23 – May 6, 1984).



"Over the next five years we plan to expand business class accommodation in our aircraft and also to adjust route timings to suit business travellers"

CAPT. D. BOSE

Yet despite these clouds on Air-India's horizon, Bose quite obviously believes that they are navigable. "Unless there is a recession in the world economy – which I don't foresee – we expect to retain our current position in the international airline industry. And despite temporary setbacks, tourist traffic is growing and so is business traffic. Over the next five years we plan to expand business class accommodation in our aircraft and also to adjust route timings to suit business travellers. At the same time, international air freight traffic is increasing and Air-India has augmented its cargo capacity at just the right time. Indeed, I believe that Air-India will have to continue to augment its capacity, though at a moderate pace of say 4% in terms of atkm. All in all, I believe Air-India will continue to remain one of the world's more profitable airlines," says Bose.

FARE WARS

Certainly, broad trends worldwide indicate increasing international traffic flows as national economies become more inter-dependent and people adjust to the almost miraculous realities of the contemporary jet age. Yet it is also true that most international airlines are rapidly expanding capacity. This means that fare wars of an unprecedented ferocity are just over the horizon.

Admittedly, with its rejuvenated fleet of fuel efficient aircraft, its computerised passenger and cargo reservation systems and the tighter planning of its operations which is the likely benefit of extensive computerisation, Air-India is in a position to compete for traffic. But in the competitive commercial civil aviation business – or in any service industry for that matter – it takes more than sophisticated hardware to influence opinion and win customers. Other things being equal, the critical factor upon which success in a service industry is dependent is the customer orientation of its employees.

Thus far Air-India has largely retained its own distinctive corporate culture. But there are signs that the debilitating disease – characterised by red tape, adventurist trade unionism and contempt for the customer – which has laid waste the vast majority of public sector enterprises, is seeping into the various establishments of the national airline. With sizeable investments in hardware having been made, the priority task of the incumbent and future managements of the airline will be to work towards motivating each employee of the 17,458-strong corporation to become a committed salesman for Air-India.

To the extent that they succeed in this formidable task will determine whether Air India will emerge as one of the world's front rank airlines, or it will remain a corporation which, buoyed by the bubble of the Gulf boom, enjoyed an ephemeral spell of prosperity in the eighties.

How Air-India compares

	Passengers (millions)	Passenger km (millions)	Freight tonnes (millions)	Load factor* (%)	Employees* (thousands)	No. of aircraft*
TWA	18.66	46,150	1.51	62.2	27,320	159
British Airways	15.52	37,100	1.91	NA	37,883	190
Lufthansa	14.07	24,364	4.35	62.4	32,535	104
Pan American World Airways	13.91	45,160	NA	64.2	26,262	119
Indian Airlines	8.31	6,470	0.94	72.6	19,312	54
Pakistan International	3.64	6,866	0.76	NA	19,360	32
Qantas Airways	2.34	16,154	0.90	NA	11.500	21
Air-India	1.81	8,385	0.80	61.5	16,296	18

Source: IATA Members' Rankings 1984
**Air Transport World (May 1985)*

Changing face of PR

K. JOHN MAMMEN



Way back in the thirties, Happiness Candy Stores, New York, serialised a radio programme with Billy Jones and Ernie Hare, to spread good cheer among listeners. Jones and Hare came to be known as the Happiness Boys who spread a sort of buttery human relations message. This implied the big, happy family approach towards achieving corporate goals.

But now the days of the Happiness Boys are over. Times have changed. So have the content and character of public relations as a deliberate and sustained effort to establish and maintain a mutual understanding between an organisation and its public.

The emphasis now is on 'relations' rather than 'understanding,' and it is now a matter of managing the mutuality of relations between an organisation and its multi-faceted environment. In public relations parlance, words such as "image," "social responsibility," "public," etc., have been rather ill-defined and vaguely employed during the last seven decades. Consequently many platitudes are crowding the public relations lingo. And there is a felt need to provide a rationale for relations between an organisation and its environment.

Any organisation has necessarily to operate in an environment. Therefore the environment ought to be a matter of concern for a corporation. It should have the virility to operate smoothly in an environment—influencing it, while managing the relations with it. It is futile to argue whether environment influences a corporation or vice versa. The influence flows in both directions. By and large, corporations in India, be they in the public or private sectors, have been content to count pennies rather than pounds. They have not taken cognisance of the macro-perspectives of effective and sustained environment relations management.

Of late, issue managers, pressure groups, lobbyists, representatives, liaison men and their tribe parade in the garb of environment relations managers! But environment relations management is not founded on the fire and bucket technique. Rather, it is based on the premise that no man is an island unto himself, and likewise nor is a corporation.

NEW VALUES

As regards the contours and content of environment, these comprise, or are related to, material science, wisdom and the development of society which in turn is related to the patterns of resource use. In managing its environment relations, a corporation should be committed to "development," which in effect is human integration with technological change. A mature corporation should be aware that development involves setting new values vis-a-vis the impact of technological change and the application of the behavioural sciences to human organisations.

The corporation also needs to appreciate that development even involves the resolution of conflict between man and man, and between man and nature. It is in this context that the Silent Valley project (which has since been shelved), the Chipko *andolan*, the Bhopal gas leak tragedy, the case of the dying fish in Goa and the very recent Chembur gas leak need to be looked at.

The litmus test for the very survival of an organisation is its social relevance and social appropriateness. As in the case of an individual, the inexorable law of natural justice will apply to the organisation as well, in the long run. The larger an organisation, the greater the need for fostering an exemplary relationship with the environment. A quote from Galbraith's *New Industrial State* strikes an appropriate note: "Not many will imagine that the social impact of General Motors on employees, markets, customers and the state—is the same as that of a Wisconsin dairy farm... The Great Corporation is not easily concealed."

SOCIAL RESPONSIBILITY

Contextually the concept of corporate social responsibility merits consideration in any discussion on environment relations management by a corporation. Perceptions relating to corporate responsibility are many indeed. Very often it is mistaken for corporate philanthropy and altruism, and corporate involvement in community development and tangible participation in social causes. Corporate social responsibility has a deep content and character. The pertinent and appropriate perception of corporate social responsibility is the responsibility discharged by a corporation to society in the specific area of business in which it has chosen to be. In the ultimate analysis, the code of conduct of business should be to make available goods and services to help meet felt needs at fair prices, duly supported by guaranteed and adequate after-sales service support.

'Of late, issue managers, pressure groups, lobbyists, representatives, liaison men and their tribe parade in the garb of environment relations managers! But environment relations management is not founded on the fire and bucket technique. Rather, it is based on the premise that no man is an island unto himself, and likewise nor is a corporation'

The jack of all trades-type public relations personnel are on their way out. In fact, each management discipline relating to employees, investors, suppliers, customers, dealers, financial institutions, interaction with government, interaction with society, etc., is a separate relations area already. The public relations officer/manager/director, as the case may be and as is understood till now, will increasingly become a communications functionary, advising and counselling rather than executing. His positioning will be near the top management level rather than way down in the organisational heirarchy. This will indeed be a sea-change.

In time, public relations will have transformed into environment relations and thereafter cease to be a separate function, merging unidentifiably into a corporate culture. The day must come when good relations become a way of life and need not be created or manipulated.

Useful study

LALA SHRI RAM: A STUDY IN ENTREPRENEURSHIP
By Arun Joshi
(Publishers: Shri Ram Memorial Foundation, pp. 432, price: not stated)

The Shri Ram group is one of the better known industrial houses in the country. In terms of the assets it controls, it ranks 16th among private sector industrial houses and seventh in terms of annual sales turnover. Though the Shri Ram group of companies has been expanding continuously over the last two decades or more, the foundations of this widely diversified group were laid down by the late and much revered Lala Shri Ram (1884-1963).

When Lala Shri Ram joined Delhi Cloth Mills (DCM)—which was to become the hub of the Shri Ram group of industries—in 1909 as his father's assistant, he was 25 years old. His father was company secretary, and the company was hurtling out of control down the road to disaster. "Its output was shrinking, its profits were falling and its shares were selling at half their face value," writes Arun Joshi in his "one-sided but not unbalanced" biography. It is one-sided because it is not concerned with his subject's personal life; it is not unbalanced, the author claims, because Lala Shri Ram's major preoccupation was his business. His success with DCM began with a plan which arrested the company's suicidal plunge, and continued with the inauguration of its first major expansion in 1925. Adding mill after mill to his domain, Shri Ram diversified his company's interests into pottery, sugar, engineering, fertilisers, chemicals, liquor and vanaspati.

The sheer diversity of the companies and their lines of business suffices to provide an indication of the potential interest which *Lala Shri Ram: A Study in Entrepreneurship* should have for any serious student of business management. Add to this the early failures of Lala Shri Ram's initial ventures: a ginning enterprise and a stationer's shop. How could a man who failed at such small-scale enterprises succeed in much larger ventures? The biographer suggests that his subject "could not think small," and that the earlier "business had required a shopkeeper's mind. Lala Shri Ram was not a shopkeeper."

RICH MATERIAL

Perhaps he is right; or perhaps Shri Ram was too young and immature at the time of his failures. The reader has plenty of raw material from which he can draw his own conclusions on this issue, and on numerous other issues which the book highlights. It is rich in primary source material such as letters and memos from the subject of this study to his associates and their replies, as well as other documentation. It is all very competently and readably interwoven into the narrative.

Being a sort of official study sponsored by the Shri Ram Foundation, one expected a panegyric of fulsome praise for the subject. But this is not entirely the case. Traces of at least faint criticism are discernible. "The following pages hint at a Lala Shri Ram who is cunning, diplomatic as well as ruthless. But then it would be naive to suppose that at the start of his life he could have differed much from his contemporaries except perhaps in ability and force of character.

'Being a sort of official study sponsored by the Shri Ram Foundation, one expected a panegyric of fulsome praise for the subject. But this is not entirely the case. Traces of at least faint criticism are discernible'

"He was reared in the same environment as they and had no occasion to reflect on its mores. He joined the game as he found it played, and having joined he played on to win, for that was his nature...His horizons broadened as he grew in eminence, and this comes out nowhere more clearly than in the contrast between his philosophical stand in the Second World War and his mercenary approach in the First."

To what extent is an entrepreneur's success the result of decisions based on gut feeling and to what extent is it the result of methodical reasoning? Although Lala Shri Ram does a lot of philosophising, one gets the feeling that most of his managerial and entrepreneurial decisions were based on intuitive impressions backed by previous experience, rather than on clear-cut analyses of the issues in the manner taught at Harvard Business School.

That's partly because the philosophising, if unexceptionable, is also unoriginal and often pedestrian: "In my humble opinion, business is not merely a matter of attending for a few hours, but it is a matter of thinking, dreaming, imagining and working...Industrial enterprise is in the long run not just a source of livelihood to the entrepreneur but ought to be a way of life for him...Ultimately, the consumer is the real master of industry and trade."

NATIONAL EMINENCE

Lala Shri Ram matured from being a local entrepreneur to a national industrialist in 1930, at the age of 46, when he was elected president of the Federation of Indian Chambers of Commerce and Industry. His biographer finds it strange that he should have risen to national eminence without being either exceptionally powerful or wealthy. But surely the diversity of his achievements was enough to impress anyone. And the ranking which his group of companies finally achieved in terms of assets and turnover was not negligible either.

Not that Lala Shri Ram made no mistakes. He let small sector sewing machine and fan manufacturers cut into the market of his Jay Engineering with their lower priced items. He did not respond by moving into higher technology, and his company which in many ways had led in its field "lost its place and fell behind."

Nevertheless, he had the all-important knack of managing people. "Most bottlenecks of his career were resolved on the human plane," writes his biographer. "His industries expanded on the strength of his rapport with his managers. He did not develop a well-considered industrial relations policy but on the foundation of his personal equation with the workers, peace was maintained and productivity achieved."

Arun Joshi also gives Lala Shri Ram high marks for his success in developing professional managers. "The men who managed Jay Engineering and Bengal Potteries for 20 years bore him no relationship." But the fact remains that even today the Shri Ram group is essentially a family managed business.

Towards the end of his life, Lala Shri Ram developed an interest in education and research. Lady Shri Ram College and the Shri Ram Institute for Industrial Research are the philanthropic monuments to these interests. They may not compare with the Tatas' ventures in these areas, but then neither could his resources.

All in all, Arun Joshi's book is a well documented and useful study for prospective entrepreneurs and managers.

Luis S.R. Vas

BELPAHAR REFRACTORIES LIMITED

a new name

TATA REFRACTORIES LIMITED

Our old skill
in making refractories
now under
an illustrious name.

TATA REFRACTORIES LIMITED

a new dimension

naa TR 86.1

A Brilliant success

In India, which reportedly has the third largest pool of technically trained manpower in the world, there is considerable competition to secure admission into reputed technical institutions, particularly the five Indian Institutes of Technology (IITs). Consequently, over the past decade or so, several coaching schools have sprung up all over the country with the avowed intention of facilitating entry into the IITs.

One such coaching institution which has established an enviable reputation on a national level is the Madras-based Brilliant Tutorials (BT), which earned an income of Rs. 1.5 crores in its year ended 31st March 1986. Promoted in 1970, BT today coaches over 11,000 students annually for the IIT Joint Entrance Examination (JEE) and is the second largest coaching institution of its kind in the country. (The largest is the Bombay-based Agrawal's Classes).

Yet, despite its 'brilliant' success, BT was born more out of accident than design. For N. Thanu (64), BT's founder-proprietor, the turning point in his life came in 1968 when he was employed with the English language weekly *Swarajya* as a cartoonist. "When it became apparent to me that the control of the publication would pass into new hands and that Rajaji's (Rajagopalachari's) failing health would not permit him to continue to be in charge of it, I decided to quit," recalls Thanu.

Brilliant's headquarters in Madras: enviable national reputation



Bitten by the entrepreneurial bug, Thanu then ventured into a business he was fairly well acquainted with—teaching foreign languages. Since 1941, he had been teaching French and German occasionally so now he decided to make this his career. However, he had to abandon the scheme within a year because the Alliance Francaise did not want to recognise a private teaching school, although the Goethe Institute did cooperate to some extent by examining his students studying German.

Subsequently, in 1970, he started Brilliant Tutorials to coach students who had failed in school examinations. Comments Thanu, "Unfortunately, this did not attract the best available teaching talent, which is vital to the building up of a good reputation. Therefore, I decided to start coaching classes for the IIT entrance examination." A year later, classes for the various medical entrance examinations were also added.

POSTAL CLASSES

In the initial years, classes were held locally in Madras. However, in 1973, Thanu decided to start postal coaching classes for the medical entrance examinations. Thus from 1970-71 to 1977, BT conducted only local classes for the IIT-JEE and postal and local classes for the medical entrance examinations.

The year 1977, which witnessed the withdrawal of the Emergency and demonstrated the power of the ballot box, also marked a major turning point for BT. "Our April classes for the IIT-JEE usually have a lot of students. However, in 1977, since most examinations were postponed to April owing to the elections, our class strength was severely depleted as the students had to concentrate on their school-leaving and pre-university examinations. Consequently, at this juncture, several parents applied a lot of pressure on us to send the IIT entrance examination lessons by post. Thus, even though most of the faculty were opposed to the idea, the circumstances dictated otherwise," recalls Thanu.

But his decision to offer postal coaching for the IIT joint entrance examinations also invited fierce com-

petition. Within a month of BT announcing its postal instructional course, the Bombay-based Agrawal Classes also joined in the fray, offering a similar course.

Recalls Thanu, "This produced a sinking feeling within me as we were facing a solid, established school with a good track record. Compared to Agrawal's, we were Johnnies-come-lately. However, since we had already entered the arena, we decided that there was no going back and if we did stop our postal classes, there was the distinct possibility of all our classroom students also switching over to Agrawal's postal course. Therefore, we had to take up the gauntlet and decided that the only way to stay alive was to shout about ourselves, make people aware that we existed and that we offered an opportunity to get into the IITs."

Thus began a thinly disguised advertising war between BT and Agrawal's, which continues to this day. Not surprisingly, advertising constitutes the single largest head of expenditure for BT. At around Rs. 40 lakhs per annum, it absorbs over 25% of total receipts. It also puts BT among the major advertisers in Madras. However, this high ratio of advertising expenditure to income is a matter of concern for Thanu.

"The race between Agrawal and us has had a spiralling effect on both our advertisement budgets: each year's performance becomes added fuel for more advertising. However, in the near future we propose to bring down the percentage of advertising expenditure to receipts to below 20%. Nevertheless, there is no denying that our massive scale of advertising has brought us to where we are today," says Thanu.

TREMENDOUS GROWTH

One major fallout of BT's advertising blitz has been the tremendous growth in its student population. When BT opened shop in 1970, it had just six students. In 1977, before the introduction of the IIT postal classes that signalled the beginning of the ad blitz, the total number of students for the IIT-JEE was only around 400. But on 2nd May 1986, almost 8,000 students of Brilliant Tutorials had appeared for the IIT-JEE. In addition, there are about 3,500-4,000 students in various other preparatory courses leading to the IIT-JEEs of the coming years, about 5,000 for the medical entrance examinations, 2,000 for the MBA entrance examinations and 1,000 for various other examinations. Thus totally, there are over 20,000 students currently on the rolls of Brilliant Tutorials—a far cry indeed from the single digit student population of the first year.

However, this dramatic increase is not due to advertising alone. Recognising that the basic quality of the course material was of paramount importance, Thanu went all out to attract the best faculty, mostly retired teachers or professors from schools and colleges, who were offered very liberal terms. They were then 'pre-tested' in 'live' classroom situations before they were assigned to the postal classes section. "Only a person who can communicate effectively in a classroom situation will be able to deliver the goods in the correspondence course," says Thanu.



Thanu: careful faculty selection

The careful selection of a competent faculty has also helped increase BT's range of course options. Indeed, the faculty's competence has been the cornerstone of one of Thanu's pet strategies—very akin to the product or brand extension strategies followed by many large consumer product manufacturing companies.

For instance, in the case of the IIT-JEE, there was initially only the classroom course. In 1977, the postal course was introduced and in 1979, the 'young genius' course (subsequently shortened to the YG File, which is basically a condensed version of the regular course, but with much tougher questions) was introduced. Thanu estimates that about 60% of Agrawal's students take the YG File also.

In the early eighties, yet another course—the 'foundation' course—wa introduced, aimed at students enterin the 11th standard who later intended t join the IITs. Comments Thanu, "Mos of the brighter students were going ove to Agrawal's. Further, there were con stant requests from parents to star postal classes for the IIT entrance ex aminations for those students who hac yet to reach the 12th standard. There fore, this course was created and as thi was a vacant slot, we faced no competi tion at all."

CERTAIN INDUCEMENTS

In addition to the number of course offered to those planning to sit for the IIT-JEE, BT also offers certain induce ments to attract the academically bril liant into the Brilliant fold. Thus, stu dents with marks above 70%-75% ir their school leaving or pre-university examinations are offered fee conces sions. (The average cost of a course a BT for less 'brilliant' students amounts to Rs. 750). Moreover, even free coaching is sometimes offered to stu dents who have obtained the first rank in any board examination. In addition to this, BT has a reward scheme for its students who secure top ranks in the IIT-JEE. The first rank carries an award of Rs. 1,00,000, the second Rs. 75,000, the third Rs. 50,000, the fourth Rs. 25,000 and so on. A sum of about Rs. 3 lakhs is exclusively set aside for this purpose every year.

These added incentives however exist only for the IIT-JEE courses which contribute over 60% of BT's annual revenues. Nevertheless, the other courses—for the medical examination the MBA entrance examination, etc.—have not been ignored and have been subjected to the same 'extension' strategy. Thus, in the case of the course for the medical entrance examination, there is a regular postal course, a foundation course, a question bank, etc.

In addition, although special emphasis is laid on all-India examinations, regional or state level examinations are also catered for since it does not involve much extra effort to prepare course material for such examinations. Comments Thanu, "Since the necessary infrastructure already exists, it can be made use of more fully. Further, after preparing course material for the tougher all-India examinations, doing the same for regional or state level examinations is comparatively much easier."

And as in the case of all good corporations where being 'close to the customer' is given top priority, BT also tries to be close to its students through


BEYOND
COMPARE
Mattresses
that are too soft can cause
backaches. Those that are too hard,
result in discomfort.
Young or old, only KURL-ON
gives you complete relaxation.
Comfort as you like it,
support where you need it,
elegance to match your lifestyle.
Kurl-on®
India's No. 1 Mattress.
For comfort. Support. Elegance.
Karnataka Consumer Products Ltd.,
Industry House, 45, Fair Field Road,
Bangalore-560 001. Phone: 76746/72710.
Company's Showrooms and Offices
• Bangalore: 220314 & 224676. • Cochin. 306744
• Madras: 810710. • Hyderabad 234560
• New Delhi: 772019. • Calcutta 232089
MASS KURL-ON 86

various schemes. The 'doubt letter scheme' for its IIT-JEE students, for instance, encourages students to correspond with the professors, seeking their help to sort out any confusion they might have.

FLYING FACULTY

Similarly, 'contact programmes' are designed to create a personal rapport between the students and faculty of BT. Under this scheme, a group of professors, dubbed the 'flying faculty', visit various cities and towns on specified dates and personally answer queries of



Angappan: "more than a financier"

correspondence course students. The tremendous response that these contact programmes generated encouraged Thanu to introduce 'seven day seminars' at certain centres. However, these seminars have one basic difference from other such programmes in that even a non-student of BT can attend, for a fee of course. Even BT students enrolled for other courses have to enrol separately for this course.

Surprisingly, despite the diverse nature of its activities, BT's management is highly centralised with Thanu himself deeply involved in a host of activities—from the pricing of the various courses to the selection of the faculty. The faculty predominantly consists of part-time professors, and of the 35-40 faculty members, only about 10 are employed on a full-time basis.

Comments V.S. Angappan (69), principal of BT, "Thanu is more than just a financier. He is the one who practically initiates everything, including new courses. His overwhelming concern for the welfare of his students has made him initiate several schemes such as the doubt letter scheme, which is very expensive to operate."

And it is a measure of the degree of Thanu's involvement that despite having about 250 people in his employment, he still retains control on practically every aspect of the functioning of the institute. As one staffer remarked, "He is intimately involved in practically every job, right down to the last detail. It is amazing the way he can remember things."

Given that advertising, salaries, stationery and postage contribute the major expense heads, it is also not surprising that Thanu monitors these expenses on a very regular basis. Yet, even while there is an overwhelming accent on cost control, considerable expenditure is incurred to improve efficiency. Thus, manual typewriters have yielded place to electronic typewriters with limited memory facilities. Recently, two word-processors have also been added to speed up the process of preparing course material.

However, computerisation is nothing new at BT. To keep track of the massive complement of students on its rolls, a Nelco microcomputer was installed two years ago. Currently, pay roll accounting, collections and a part of the financial accounting is also computerised. However, the computers are not being used to their fullest extent at BT owing to the paucity of trained personnel—a deficiency which Thanu plans to correct in the immediate future.

IMPROVED PERFORMANCE

Meanwhile, the fact that all this is already paying off is evident from the improved performance of BT's students year after year. For instance, in the IIT joint entrance examinations the number of BT students within the first 100 ranks increased from 41 in 1983 to 51 in 1984 and further to 68 in 1985. More significantly, in both 1984 and 1985, as many as nine BT students figured among the first 10 rank-holders in the IIT-JEE.

Encouraged by this phenomenal success rate, Thanu is forging ahead with the introduction of new course material.

For starters, the YG-File has been converted into a book containing probable questions and answers from all the YG Files of previous years. It has therefore been named *Pick of the YG File*. An experimental first print order for 500 books and a repeat order for 250



Office scene in Brilliant Tutorials

books were both sold out in just 15 days. Enthused by this good response, Thanu plans to strengthen his presence in the educational book publishing field. And the fact that BT has its own in-house printing unit is an added advantage.

Similarly, Thanu also has plans to use cassettes to further popularise BT's postal coaching classes. A recent cassette introduced by BT incorporates the 'listening comprehension' test (using American voices) and has proved extremely valuable to students appearing for the tests conducted by the United States Educational Foundation of India (USEFI). Thanu also has immediate plans to offer cassettes on optional subjects for the Indian Administrative Service's preliminary examinations. Other major projects include the proposed launch of a bi-monthly educational magazine and the promotion of a school for journalism.

With all these plans expected to fructify in the next few years, it may well be said that BT's best years still lie ahead. And even while it will continue to flourish financially—the budgeted income is Rs. 2 crores in 1986-87—BT will also earn the considerable goodwill of its over 20,000 students for its efforts to ease their study programmes. Indeed, for Thanu the latter may well be the most satisfying aspect of his 'brilliant' success.

Chandu Nair

Changing dimensions of executive marriages

By DEBJANI SINHA

In recent times, executive marriages are being subjected to increasing strain by the emergence within the professional upper middle class, of the phenomenon of the working wife, often herself a professional or a business executive. Somewhat belatedly, indigenous corporate managements are waking to the reality that executive effectiveness is to a significant extent dependent upon domestic felicity.

With both inter-firm and intra-firm competitive pressures building up within industry in the contemporary Rajiv Gandhi era, indigenous management pundits are waking up — somewhat belatedly — to the reality that executive effectiveness is to a significant extent dependent upon domestic felicity. Though American management thinkers had seen the causal connection between these two apparently unconnected facets of executive life long ago, formal cognisance of this linkage has only recently begun to be taken in Indian industry.

The rising incidence of divorce, alcoholism and, to a lesser extent, drug abuse within the country's community of professional managers in the organised sector of industry has drawn the attention of sociologists, psychologists and corporate managements to the newly emergent basic unit of society, the nuclear family and executive marriages in particular.

In more recent times, executive marriages have been subjected to increasing strain by the emergence, within the country's professional upper middle class, of the phenomenon of the working wife — often herself a professional or a business executive. With the price indices rising inexorably in an unabashed consumerist age, the stay-at-home wives of corporate sector executives are becoming the exception rather than the rule. But this sociological phenomenon — in an age when domestic help is difficult to obtain — is subjecting contemporary executive marriages to considerable strain.

Therefore marital discords — emotional turbulences hitherto believed to be an intensely personal affair between husband and wife — are now increas-



ingly being sorted out by marriage guidance bureaus and objective counselling, encouraged and often paid for by enlightened corporate managements.

That top level managers in highly professional companies are becoming aware of the nexus between executive performance and harmonious and stable marital relations was underscored by T. Thomas, the former chairman of Hindustan Lever (sales: Rs. 707 crores in the year ended 31st December 1985). In his last speech as chairman of the consumer products giant, delivered at the annual general meeting of the company (20th June 1980), Thomas unequivocally paid a rare tribute to the women behind the men who manage India's most respected company according to two successive *BusinessWorld* polls (see *BW* December 23, 1985–January 5, 1986 and *BW* February 3-16, 1986): "Another very important dimension in our working has been the role of wives. Although none of you see our wives and none of them is paid any salary by you, I can assure you that they can, and many of them do, play a very important role in the effective functioning of the group of men which constitutes the board.

"We are not a board of socialites. We lead our own private lives as most ordinary people do. Our wives have to tolerate the long working hours of the husbands. In addition, the husbands tend to abdicate totally the responsibilities for the children and all domestic matters. And to cap it all, in most cases, the wife is the only person with whom he can share all his frustrations, anxieties, feelings of hurt, aspirations and joy.

TREMENDOUS BURDEN

"Yet, if this seemingly docile female, who receives such lethal information and feelings were to act or react on the basis of these, the husband would really regret having shared them with her. But for his peace of mind and sanity, he has to share it with her. So it places a tremendous burden and responsibility on her," Thomas told the company's shareholders.

According to Thomas, an executive's wife is perhaps the only individual — other than perhaps some of the older children — who is in a position to point out his weaknesses to him, "because in his heart of hearts, he knows that she adores him and wants him to be happy and successful.

"It is therefore necessary for us to recognise that these wives are very important supports to the husbands. Whatever the textbooks may say to the contrary, the mental quality and character of the wife becomes increasingly important as a man progresses upwards on the corporate ladder. In the successful management of a group of senior managers, an adequate understanding of their wives is a key element," Thomas added.

But while the importance of conjugal support has always been underscored — perhaps implicitly — by corporate decision makers, societal acceptance of the egalitarian aspirations of women and the visible presence of women in the workplace outside the home has metamorphosed the contemporary executive marriage. The conjugal relationships of most corporate executives is much more complex today than Thomas described it in 1980.



Thomas: important support

"In my opinion, contemporary marriages can be broadly classified into three categories: the nestling marriage, the colleague marriage and the fun marriage," says Supriyo Chowdhuri (35), the Calcutta-based associate dean of the Indian Society for Individual and Social Development, a non-profit institution which periodically organises workshops focusing on the interface of individuals with society and societal norms.

"The philosophy behind the nestling marriage is to provide a home for the man and the family. The woman's role is to provide succour and nurture the marriage through life's vicissitudes. A marriage of colleagues on the other hand necessitates a more egalitarian partnership. Men and women in this category are usually professionals who look upon each other as colleagues on the home front and share their anxieties and aspirations with each other on an equal footing. The third category is the fun marriage, that is, a marriage which continues as a prolonged honeymoon. However, I must observe that examples of the third category are becoming increasingly rare," adds Chowdhuri.

Chowdhuri believes that with the emergence of the new Indian woman, who is conscious of her conflicting roles as an individual in her own right and as a homemaker for the family, most contemporary marriages in the upper middle class strata are at a transition stage between a nestling marriage and a colleague marriage. And afraid of being thrown back into the traditional passive and supportive role, the new generation Indian woman is consciously struggling to put her marital status on a different plane.

"In their zeal to assert their identity, the new generation of Indian women do not nurture relationships any longer," says Chowdhuri. "They are afraid that if they concede even a tiny bit to their male partners, this temporary vulnerability will be taken advantage of and the struggle for a new identity will be lost forever." For this hidden anguish and apparently divergent pulls in a woman's psyche, the men are responsible, argues Chowdhuri. "Most educated middle class men intellectually desire a true partnership, but come a crisis, and nine out of 10 of them will comfortably slide back into the traditional role. The irony of it all is they themselves are not aware of their sudden reversal of roles," she adds.

TRADITIONAL IDENTITY

Thus the dice are weighted heavily against the new generation of Indian women who are attempting to assert their individuality within the societal norms of a marriage. So the roles are perhaps more clearly defined for those who have a traditional identity thrust upon them, either because of their own inherent conditioning, or due to circumstances which do not allow room for any confrontation with centuries old traditional male attitudes. Consequently, executive marriages within this category of individuals — shorn of any expectations other than those of the role of the man as a provider and caretaker of the family — are relatively tranquil, say management experts.

According to Sharu Rangnekar (57), author of several management books and a well-known management consultant, executives can be broadly classified into two categories — the westernised, educated professional with high visibility on the cocktail circuit, club functions and other such social occasions, and the traditional value-based executive whose professional life is divorced from his home environment.

"The culture of an organisation in which an executive works also has a tremendous impact on a manager's marital

relationship. For instance, the stresses and strains on an executive working in a professionally managed company are very different from those of an executive employed in a traditional family managed enterprise, and these impinge upon one's family life in different ways," says Rangnekar.

According to him, a manager employed in a professionally managed indigenous enterprise or a multinational is usually married to an educated woman who insists on and expects a position of respect for herself. Thus,while conscious of her husband's career demands and job



Rangnekar: organisational impact

status, she also demands that he should apportion a large chunk of his leisure hours to the family. At the same time, as she is usually perceptive enough to see that top-drawer positions are accessible to high achievers, she may be inclined to nag her husband to push his way up the corporate hierarchy. But the consequent tension, the fear of failure and the inevitable neglect of the family can play psychological havoc with the husband and leave scars on a marriage.

DIFFERENT GENRE

A manager working in a family dominated enterprise, on the other hand, is free of such tensions, says Rangnekar. At the very outset he is aware that succession will automatically devolve on the *sethji's* son, hence his career graph is already pre-determined and does not create any tensions along the corporate way. He is usually married to a woman whose *raison d'être* is to keep the home fires burning and provide an environment in which he can shake off the cares of the office. His late arrival or prolonged absences from home are not required to be explained, but are accepted as exigencies of the job. "However, the strains in this type of marriage are of a different genre. Deprived of her husband's attention, the home-bound, harassed spouse may be on the lookout for, and quite often succeeds in finding love elsewhere," says Rangnekar.

Besides, says Rangnekar, in a society in which income disparities are pronounced and social welfare safety nets are non-existent, perhaps the most important contributory factor to conjugal bliss is financial security. And in this aspect of his corporate expectations, the manager employed in a family dominated company is much better off than his peers in large indigenous or multinational corporations.

"Most managers working in family dominated firms are usually recipients of generous perks such as annual family holidays, including trips abroad, depending on their status in the corporate hierarchy. Also, there is an inherent security in that the manager knows that if confronted with extraordinary circumstances such as a wedding in a family or a sudden illness, the *sethji* will usually help out financially.

"On the other hand, though lavish perks usually accompany a top notch executive job in professionally managed companies, given the formal administrative structure of such corporations it is not always possible to bend the rules to accommodate specialised individual needs. Hence in keeping up with the Shettys or the Singhs, an executive employed in a large corporation may encounter a cash flow problem which in turn could instigate tensions on the home front," says Rangnekar.

AMBIVALENT ATTITUDES

However, while the Rangnekar formula broadly encompasses the many and varied aspects of a marriage, the feminine mystique — the enigma that is woman — has perhaps not been explored by him. And the ambivalent attitudes of women — unfurling, on the one hand, the banner of revolt, yet comfortably passing off the responsibility for important decisions to her man — has also ushered in a number of grey areas in the relationship, with neither spouse quite clear about their roles in the contemporary executive marriage.

One of the women from *BusinessWorld's* small sample of interviewees was candid enough to explain the ambivalance, but did not want her name mentioned. Committed to being a homemaker when she married a man of her choice, she found her own objectives more complicated to achieve than she had anticipated. "My first encounter was

Two corporate marriages

Despite the growing concern in corporate managements about turbulent marriages, some couples are working together in harmony in their work spheres and living in domestic bliss. For instance, a husband-wife team manage the Bombay-based Diners Club of India Pvt. Ltd. (current members: 70,000) which has registered an impressive growth rate. A fledgling organisation in 1978, today the revenues of this first-of-its-kind credit card operating company in this country have increased by leaps and bounds. That too in a country in which credit oriented services are generally viewed with suspicion while tried and tested mechanisms to assess the creditworthiness of clients are non-existent.

Their functions are clearly demarcated. Shyam Agarwal, the managing director of the company, supervises the administration, finance and operations portfolios. Parveez Agarwal, who joined the company in 1978 as a director but was consequently appointed joint managing director in 1983, supervises the sales and marketing functions. "But there is an automatic overlap of functions whenever one of us is out of town. For instance, when Shyam is away on a business trip, I take decisions very often without consulting him because I know how he would have reacted in a similar situation," says Parveez Agarwal.

On the inevitable tensions of a husband-wife business partnership and whether domestic quarrels affect their business decisions, both partners maintain that as far as possible they try to compartmentalise their business and domestic lives. "Because we are working together towards the same objective of producing better results, I think there is an instinctive trust that whatever suggestions that I or Parveez make are not guided by emotional considerations but are made in the best interests of the company. We may disagree — and in fact I think most of the time we manage by disagreeing — but there is no dictum that whatever I say must be followed. Each suggestion is carefully weighed and then implemented, irrespective of which managing director's office it emanated from," says Shyam Agarwal.

Common cause. Nevertheless, Parveez concedes that after extensive discussion, the final decision is made by the manag-

ing director, i.e. Shyam Agarwal. She also says that both of them take care to ensure that domestic discords do not spill over into the work sphere. "In fact, after 22 years of marriage, with a daughter now married and a son in boarding school, most marriages could be somewhat strained. However, I think working together and sharing the enthusiasm and interest of a common cause has brought us closer together," says Parveez.

On his part, Shyam Agarwal is very particular about according his wife the respect she deserves as a professional manager. "She has been given specific functions by the board of the company and I do not interfere in her spheres of operation. I have also made sure that her equal status is visible to the staff, in the sense that she has a cabin which is the same size as mine and an almost equal number of staff. These physical manifestations of equality are very important, in my opinion, to allow an executive to function with authority in an organisation," he says.

Of her own status as joint managing director, Parveez Agarwal comments: "I don't think anyone in the organisation can forget that I am also the chief executive's wife. And to that extent attempts are made to influence me when Shyam, for instance, has taken a hard decision. But both of us are conscious that this can happen and we keep our egos out of business decisions."

Do their work tensions ruin their domestic peace? "It works both ways," says Parveez. "I consciously avoid discussing controversial issues in the evening, though we might talk of new strategies for the development of a new business and such general topics which we may not have time to discuss in the office. At the same time, one can draw tremendously from the other at a moment of crisis. For instance, we recently faced a month long labour confrontation together and emerged out of it relatively unscathed," she adds.



Shyam & Parveez Agarwal: harmony in the workplace and domestic bliss

Negligible interaction. While the Agarwals work closely in their work spheres, for Calcutta-based Raj Sujan (40), district manager (east), and his wife Amrit Sujan (37), personnel manager, both working in the cigarette manufacturing giant ITC Ltd. (both in different offices), the interaction in the daily work situation is negligible.

"My functions are very different from my wife's, of which I admit I know very little. There is a tiny bit of overlap in that a small area of my gamut of functions involves managing personnel in the eastern sector, which also happens to be a part of my wife's portfolio. But I think I have developed the sophistication to treat my wife as I would any other colleague and consequently business dealings are on that plane," he says.

A true corporate marriage in the sense that they met while working in ITC, Raj finds it the most natural thing in the world that couples continue their careers as man and wife in the same organisation.

"In a large organisation such as ITC, there is enough room even for a husband and wife team to do their own thing without creating too many ripples. In such organisations there are usually enough checks and balances which prevent any unnecessary complications that may arise due to one's personal relationships or prejudices. But having said this, I must admit that I have no other benchmark or reference point. This is the only such marriage that I know and I think it is working fairly smoothly," says Raj.

Amrit, on the other hand, had some minor skirmishes with the ITC management in the early years in her dual capacity as an executive in her own right and an executive wife. "In the initial years there were some problems about the granting of leave travel allowance and certain other benefits in my own right because they argued that Raj was entitled to all these anyway. However I stuck to my ground that this was discrimination and the management recognised my individual right to all benefits. And I must admit that all this was worked out without any acrimony or bad feelings on either side. The company has also been very accommodating in ensuring that whenever Raj is posted to another office, I am also given a job opening as near enough as possible to his new work station," says Amrit.

Of the spillover of ITC problems into their domestic lives, there is no danger, says Raj. "Our areas of functioning are so separate that even if I were to seek my wife's advice, it would require explaining a whole situation from scratch, for which I would not have the patience or the time. And to that extent it would defeat the purpose."

To this, Amrit adds, "We are both highly individualistic people and we don't impose our burdens of the office on the other partner. I think, in the initial years of our marriage everyone assumed that I knew everything about Raj's work and his problems and vice versa, but they have subsequently discovered that this is not the case."

with my own inherited and insidious conditioning which inclined me towards comfortable passivity and allowed me to pass on all decisions to my husband. It took me a long time to recognise and overcome my weakness so that I could contend with the centuries old traditional male attitude, to create my own space and expand my own personality," she explains.

For a successful career woman, the tensions already inherent in any man-woman relationship can be heightened by her partner's feelings of inadequacy or insecurity. This is particularly true if the wife is a couple of rungs higher up in her own corporate hierarchy than her husband is in his, or she is an eminent figure whom everyone recognises and respects. This often results in a turbulent marriage, fuelled by ego clashes and the whose-work-is-more-important syndrome. In these situations, it is not unknown for the wife to be accused of having utilised her sexual charms to make her way up the corporate ladder. And this atmosphere of suspicion and mutual distrust not only reduces the effectiveness of both partners in their respective work spheres, but can also play havoc with the marriage.

"In such circumstances, instead of mutual recriminations, an open discussion of the anxieties and apprehensions — preferably refereed by an objective well wisher such as a marriage guidance counsellor or even the family doctor — can dispel suspicions and assuage the wounded feelings of the other partner," comments a Calcutta-based marriage counsellor who, because of the nature of her work, is also reluctant to reveal her identity.

But if some corporate husbands are somewhat concerned about the fidelity of their better halves — in the light of the temptations to stray from the straight and narrow which confront working women — it is often conveniently forgotten that such temptations are part and parcel of corporate life for men as well. In fact, included in the package of lavish perks that constitutes the frills and frappe of the corporate executive is frequent stays in 5-star hotels and trips abroad with no-questions-asked entertainment allowances. And in some quarters it is believed that a man must be allowed to shake off the tensions of the boardroom through rest and recreation — the medium being left to his own choice.

CARNAL FORAYS

"Thus it no longer raises any eyebrows when groups of executives proceed for sex tours to Bangkok or such sexual havens, leaving their frustrated wives at home. These women are expected to accept these carnal forays with grace and welcome their husbands back into the fold. And those that rebel against such established corporate practices find themselves rocking the marital boat," comments Neera Desai, a well-known sociologist and dean of the women's study unit of the SNDT Women's College, Bombay University.

However, in all fairness it must be stated that in positions of power in large multinational and indigenous corporations, those whose signatures could make or break a foreign collaboration or a large sized international order are quite often wooed with wine, women and cash to sign on the dotted line. Thus many executives stray from the straight and narrow — essentially not of their own volition, but in the organisational interest.

Moreover, unconventional marital and extra-marital lifestyles are given greater latitude today within the organised sector of industry than less than two decades ago. Certainly, in the ritzy world of advertising in particular, changing brand preferences (of wives and girlfriends) are accepted as *de rigueur* a consequence of the stresses and strains of office.

Thus, the *elan* with which a chief executive of one of the largest advertising agencies in the country walked out of his first marriage into a live-in relationship and out again to walk into a second marriage, is the envy of most men within and without the advertising industry. Not surprisingly, this profession more so than others boasts of a large number of high visibility men and women who have discarded the shackles of traditional matrimony, either to live alone in divorced splendour or cohabit with a live-in partner.



Desai: frustrated wives

'...it is not unknown for the successful working wife to be accused of having utilised her sexual charms to make her way up the corporate ladder. And this atmosphere of suspicion and mutual distrust not only reduces the effectiveness of both partners in their respective work spheres, but can also play havoc with the marriage'

Not that the severance of the holy matrimonial alliance is restricted only to this sector of corporate activity. While the stereotype of the successful and socially approved executive is the one whose desk sports the photograph of a smiling wife and two happy kids, instances of successful chief executives with not so happy conjugal lives are not entirely unknown. A case in point is that of a high profile chief executive of one of the country's largest private sector companies whose marriage of long standing ended in divorce before he climbed the last and highest rung of the corporate ladder.

BLIND EYE

To ascertain contemporary corporate attitudes on the question of executive sexual morality and how much leeway companies are willing to give to their executives on this score, this correspondent talked to several personnel managers and senior managers who have managed the personnel portfolio in organised sector companies. The consensus of opi-

The intercom that got so smart we had to change its name.



Yours is a forward-looking organisation.

Yes. But how backward is your communication system.

Have you been so busy trying to compensate for its deficiencies that you've never really had time to discover the real problem at all?

Here's a quick way to find out how smart your telephone system is. Check its IQ against the Supercom's.

Can it handle both your internal and external calls? Yes. No.

Can it transfer your calls to your secretary or your assistant if you're not in? Yes. No.

Can it allow you to hold a 5-man conference at the touch of a button? Yes. No.

Can it understand when you're busy and don't want to be disturbed for a while? Yes. No.

Can it inform you when your colleague's line is free and put your call through? Yes. No.

Can it put a client's call on "hold" so that you can ring a colleague to check a point and get back? Yes. No.

Can it offer you a zonal paging facility if you need it. Or a "free talk" facility which enables you to answer a call without even picking up the receiver? Yes. No.

Can it be easily expanded as your office grows? Can it reach perhaps 5 times its initial size without any major changes? Yes. No.

Can it be easily put right in case something goes wrong? Can a fault be detected instantly? Yes. No.



If your telephone system keeps saying "no", then one thing is clear...

YES. You need the Supercom. The sophisticated telecommunication system from Superphone.

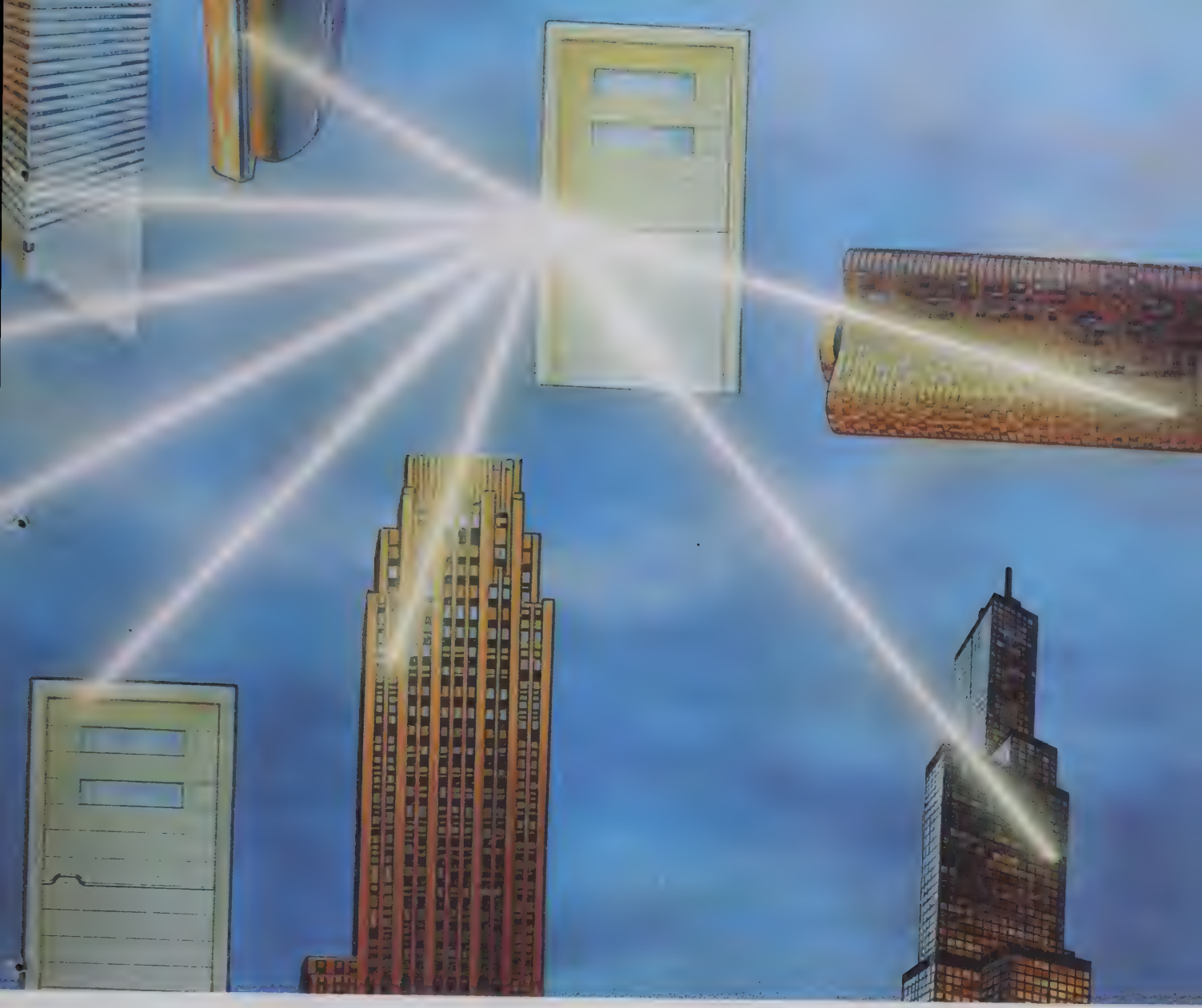
The Supercom.
Super efficiency.
At your finger tips!

SUPERPHONE

Manufactured by
Superphone (India) Pvt.Ltd.,
100 Government Industrial Estate, Charkop,
Kandivli (West), Bombay 400 067.

Ahmedabad 20660/23518.
Bangalore 258273. Bombay 369644/45.
Calcutta 431868/4430737.
Madras 474215/471420.
New Delhi 6411254. Secunderabad 75933.

SUPERCOM 1



The Supercom.

It can put through your call from London. New York. Singapore
Or the cabin next door!





The better they are made the faster they go!

Tushar Water Coolers.

There's always such a rush for Tushar Water Coolers every summer, that quite a few people get left out in the cold (or heat!). That's when they have to go without the Water Cooler that quite obviously spells reliability and durability.

And would you believe that its wide range and its perfect blend of elegance and performance can lead to disappointment for some people? Why? Simply because these qualities are responsible for the rapid sales of Tushar Water Coolers.

So make sure it doesn't happen to you this summer!

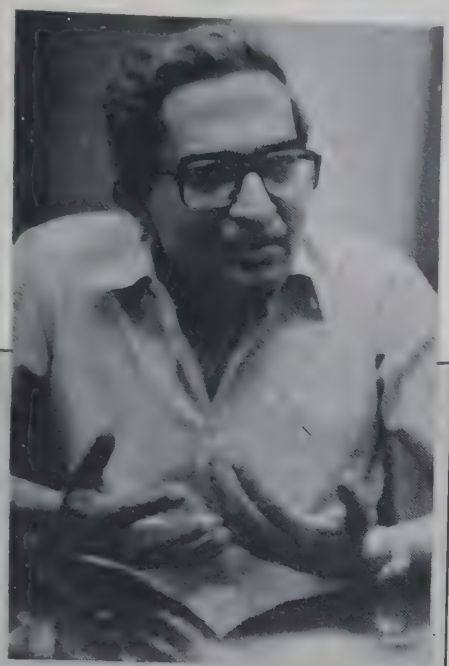
Voltas Tushar Water Coolers.

The refreshing respite.



VOLTAS LIMITED
Appliances Business Group,
19, J.N. Heredia Marg,
Ballard Estate,
Bombay 400 038.

ARION/B/V/71/254



"As long as it doesn't affect a manager's performance at his work station, I don't think anyone in ITC is particularly concerned about the private lives of their colleagues"

ABHIJIT BASU

nion that emerges from piecing together various reactions is that most corporate managements tend to turn a blind eye to the private sexual lives of their employees provided the object of their fancy is not another employee in the company or the spouse of another employee and provided that corporate Casanovas are not involved in peccadilloes which create tensions in the workplace.

According to Sharu Rangnekar (quoted earlier), "In the expatriate business community it was a well accepted convention that sooner or later the wife of X and the husband of Y would end up living with each other and their former partners would either return home or find new paramours themselves. Some chief executives such as A.D. Mango of Rallis India during his tenure of office in Bombay divorced his first wife and remarried without so much as a murmur from his board of directors. But if I recall correctly, a director of the ICI group of companies, on the other hand, was sacked on the spot and was shipped out home when he announced that he was living with the wife of a former colleague."

Nevertheless, in general, it would be true to say that the attitude of top level managements in multinational affiliated and professionally managed indigenous companies towards the private lives of executives tends to be more liberal than those of the top managements of companies dominated by traditional business families. This is not only because such families have not quite divorced themselves from their rural linkages, but also because top managers often play an active role in arranging the marriages of their proteges. In Century Spinning for example, the sales director takes an active interest in playing Cupid for sales representatives. Also, in family managed companies, it is not unusual for promising young executives to marry into the ruling family. Not surprisingly, divorce is severely frowned upon in such companies as it is often tantamount to a betrayal of top management itself.

ZAMINDARI CULTURE

However, this is not to say that top level executives — especially ruling family members — spend their lives on the straight and the narrow. The *zamindari* culture which they often perpetuate in the executive suite and which strictly defines the role of the wife as a home maker, permits the usual peccadilloes associated with *rajahs* and *zamindars*. Thus while divorce is taboo, supplementary extra-marital arrangements are tacitly accepted. And among the more sophisticated couples of well-known business families, "arrangements" for husbands and wives to lead their own lives without rocking the marital boat are usually worked out.

But even for a professional manager the flouting of established social mores not only requires bravado but also a degree of economic freedom in order to support two households should he be adventurous enough to seek supplementary emotional relationships.

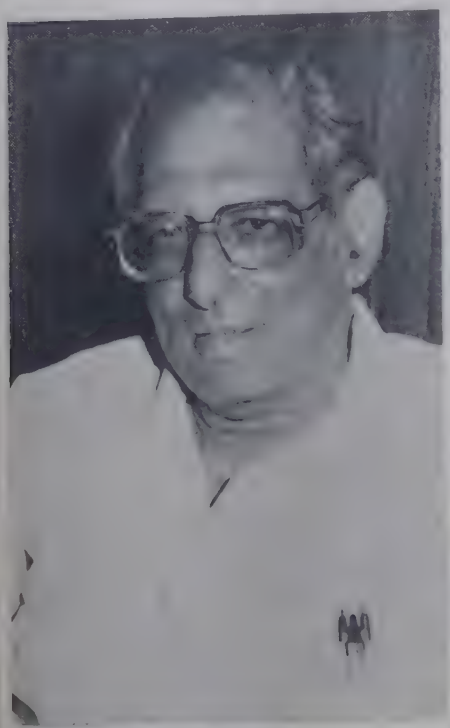
However, the turbulence on a manager's home front and the prudent management of his disposable financial resources are both areas of his personal concern and contemporary organisations are not particularly bothered about the love lives of their executives, says Abhijit Basu (55), the Calcutta-based deputy chairman of ITC Ltd., the tobacco manufacturing giant, who in his many years' association with the personnel portfolio has watched many an executive marriage in ITC collapse.

Yet Basu believes that an employee's private life should remain private. "As long as it doesn't affect a manager's performance at his work station, I don't think anyone in ITC is particularly concerned about the private lives of their colleagues. Rumours of extra-marital affairs of a male or female colleague can provide some amusement at office cocktail parties or social get-togethers. But unless a manager is involved with the spouse of another employee, which could create internal tensions in the office, I don't think we are bothered about his or her activities outside the office," says Basu.

However, it is an uncomfortable fact of life that remarriage in the middle of one's career could result in the rejection of the newly acquired spouse, particularly by colleagues who were close to the former spouse, adds Basu. Consequently, an executive may suddenly find the cold shoulder treatment meted out to him/her both in the workplace and on the social circuit. "Uncomfortable with the new entrant in their colleague's life, office friends may tend to avoid social encounters with such a newly married couple, while the newly acquired spouse, sensing the hostility towards him/her, may take it out on the partner," he says

'But even in marriages that endure, unhappiness flowing from sexual dissatisfaction within the marital relationship is also a fact of corporate life. The emotional and psychological damage that such deep-rooted dissatisfaction causes among a growing number of executives and impairs their efficiency is not inconsiderable'

But even in marriages that endure, unhappiness flowing from sexual dissatisfaction within the marital relationship is also a fact of corporate life. The emotional and psychological damage that such deep-rooted dissatisfaction causes among a growing number of executives and impairs their efficiency is not inconsiderable. Comments Dr. R.H.



Dastur: lack of information

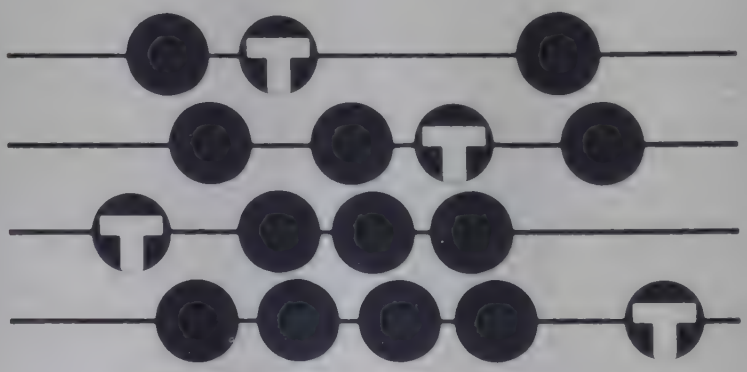
Dastur (60), the Bombay-based physician and consultant whose books *Are you killing yourself Mr. Executive?, Rock Around the Clock* and *Sex Power* among others have proved to be best-sellers: "When I ask corporate executives about their sex lives in my clinic, at least half of them are dissatisfied and one-third suffer from actual sexual incompetence and loss of interest in the sex act. Yet when one interacts with these men socially, most of them project themselves as Casanovas, narrating to friends tales of their sexual conquests. In a small survey conducted at my clinic during 1970-77 on 2,860 males between 35 to 55 years of age — most of them business executives — only 17% were fully satisfied with their sex lives, while the remaining 83% confessed that they were not happy with it."

Dastur, who devotes a considerable proportion of his time to spreading the message of sex education, is concerned about the lack of information which he believes is at the root of sexual myths and inadequacies, which in turn have made bliss elusive even for educated couples. "While a lot of time and money is spent on eradicating infectious diseases, controlling heart ailments and trying to conquer cancer, very little is done to prevent sexual malfunction and impotence. It is imperative that immediate attention is given to this problem. With increased longevity and better health, the aim of medicine should be not merely healthy old men, but healthy potent old men," says Dastur.

Another individual who shares Dastur's concern for the poor dissemination of sex education is Dr. Mahinder C. Watsa (60), a consultant in sexual counselling and a Bombay-based consultant to the Family Planning Association of India. Watsa believes that the onset of middle age is a period of sexual anxiety which, unless dispelled, could affect an executive's effectiveness considerably.

"At the peak of their professional careers in middle age, a number of successful executives are known to immerse themselves totally in their work. Consequently, home and conjugal relations tend to assume low priority. In such situations, neglected wives are known to hit back by commenting on the sexual inadequacies of such executives. And with

Some Changes on the Corporate Scene



Transcredit is here.

Professionals get together for a unique venture – to provide varied services to the corporate sector– credit rating services, financial services, venture capital and project services.

CREDIT RATING
A device by which the financial & credit standing of a business house is denoted–by a symbol. A result of careful and thorough research.

FINANCIAL SERVICES
Services would include equipment rentals, factoring, arranging foreign currency loans, portfolio management and equipment finance.

VENTURE CAPITAL
Financial participation in the capital of new undertakings. Ideal for Technocrat entrepreneurs with good project proposals.

PROJECT SERVICES
A panel of consultants will implement projects on turn key basis mainly for NRI's, arranging technology transfer from overseas and management of industrial undertakings.

For your specific requirement, contact:

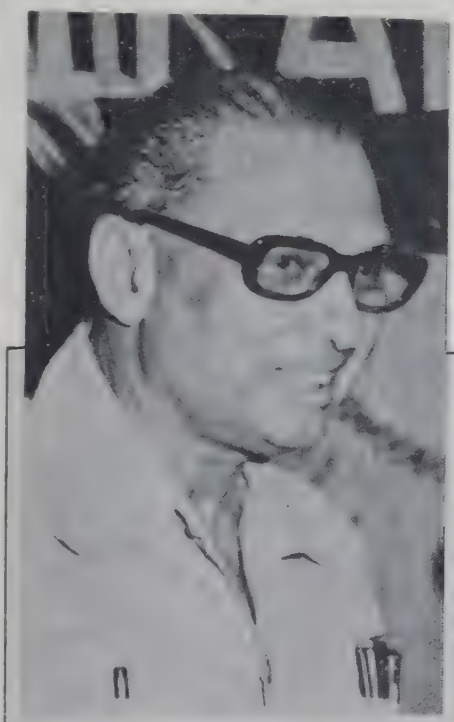
TRANSCREDIT & CAPITAL LTD.
S&B TOWERS, 2ND FLOOR,
88, MAHATMA GANDHI ROAD,
BANGALORE-560 001, INDIA
PHONE: 570693 CABLE: CREDIT
TELEX: 845-675

CommWorks/056/86

the pressures to perform in the outside world building up, this nagging worry about sexual incompetence and possible impotence can considerably reduce an executive's effectiveness in his work arena. For younger men the pressure to socialise almost every evening, which inevitably means excessive eating, drinking and smoking, usually makes them unfit for healthy sexual relationships," says Watsa.

CONSCIOUS ATTEMPT

To combat such jeopardisation of marriages, Watsa recommends that business executives and others should consciously apportion time for their wives or husbands as the case may be and make a deliberate attempt to switch off the cares of the office. "The most common complaint that we hear at counselling sessions is that of the man's apathy. Most wives complain that their husbands come home from the office, switch on the television set and remain glued in front of it until bedtime. All attempts to communicate are usually reciprocated with occasional grunts and monosyllabic answers.



"Most wives complain that their husbands come home from the office, switch on the television set and remain glued in front of it until bedtime"

DR. M.C. WATSA

"Typically, most husbands claim that, tired after a whole day's strains in the office and worried about the problems they have to solve on the morrow, they have little patience to listen to what they consider to be trivial domestic hassles. And with very little sexual communication — since the man is usually preoccupied with his work problems — slowly but surely such couples drift away from each other. In such situations the marriage continues to focus around the children who provide a tenuous link in the relationship," says Watsa.

In fact, this grey area of marital status, tantamount to a hidden divorce, i.e. a husband and wife living together under one roof bereft of any feelings for each other, is on the increase, claim sociologists. The reasons for continuing this public charade of a successful marriage could be many, says Chowdhuri, quoted earlier. "The most obvious and common concern is that of the children's welfare, the attempt to prevent trauma at a tender age. But besides the familial consideration, economic dependence and in some cases the fear of facing life totally on one's own, also prevents a number of estranged couples from going through a legal divorce. During our counselling sessions for those who have reached the point of no return, we usually push them into making a clean break," says Chowdhuri.

As the tensions and pressures of an increasingly competitive society take their toll on the emotional and psychological reserves of business executives and professionals, their marriages are likely to be subject to intensifying strain. A contributory factor is the emergence of new and increasingly articulated expectations of women, hitherto the junior partners in marriages in Indian society. With the passage of time, corporate executives are likely to learn that managing the conjugal relationship efficiently may also be the prerequisite to corporate success

BW

The Watsa formula

For those executives who successfully manage men, money and materials and earn encomiums for themselves but cannot figure out what went wrong in their marital equations, M.C. Watsa (60), consulting sexologist and a consultant to the Family Planning Association of India, suggests the administering of what he calls the "four T formula." According to him, trust, time, touch and talk are the magic ingredients that could guarantee, if not 100%, at least a reasonable degree of domestic bliss.

Trust. This is the first 'T' in my success formula. It is essential that a couple respect and trust each other and in this context it also involves understanding the other person's personality traits. For instance, if one of the partners has a flirtatious nature, the other spouse must think about it consciously and decide how much leeway he or she should be given," says Watsa.

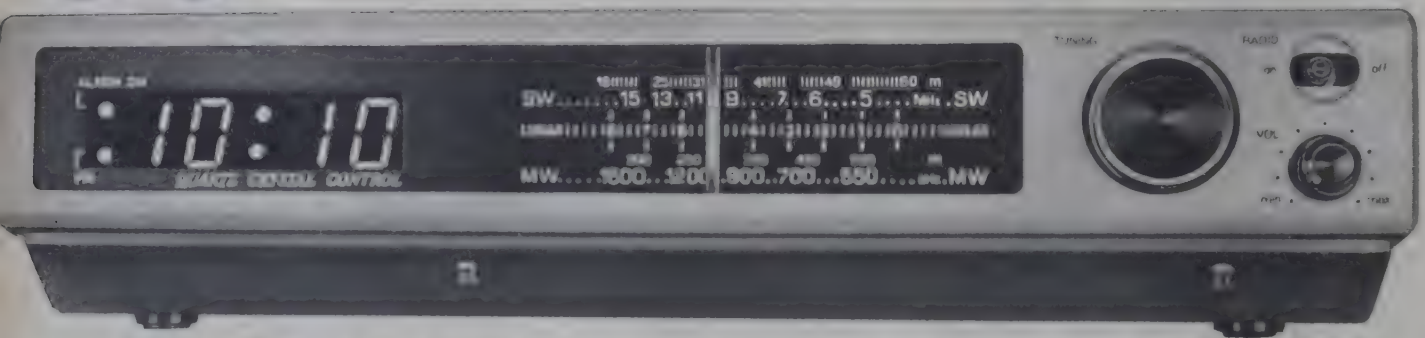
Time. This second 'T' in the magic formula, "is the most difficult commodity," says Watsa. Most executives keep their business appointments to the second, but somehow cannot find the time for their home appointments. "It is essential that husband and wife spend a few moments every day in complete privacy. But unfortunately no time seems to be given to the marriage in most cases. Also, it is essential that an executive learns to hang up his problems at the door before he enters the bedchamber. A disinterested or preoccupied sexual partner is a great damper to one's ego," says Watsa.

Touch. Most people believe that after the initial years of marriage, foreplay is not required. Says Watsa, "In fact, it has been conclusively proved that an affectionate gesture, a peck on the cheek or holding hands is as important as the sexual act. But having said that, it is also important to discover newer ways of improving sexual relations."

Talk. Communication between two partners is essential for marital bliss, professes Watsa. "In our counselling sessions we discovered that a number of marriages had reached breaking point because the partners could not communicate their needs. For instance, a man may want to try out a variation from his usual sexual routine,but he cannot bring himself to discuss this with his wife or vice versa. It is essential that apart from the domestic humdrum, couples set aside some time to talk and discuss topics of mutual interest," says Watsa.

PHILIPS

PEOPLE CALL IT NAMES:



A radio. A clock. An alarm. A timer. That's what they call the amazingly versatile Philips Clock Radio!

The Philips Quartz Control Clock Radio: one name, many uses.

The powerful MW/SW radio can be set to switch off — automatically — minutes after you drop off to sleep. And wake you up whenever you wish to be woken up. (To a buzz or the melody of a favourite programme — the choice is yours!)

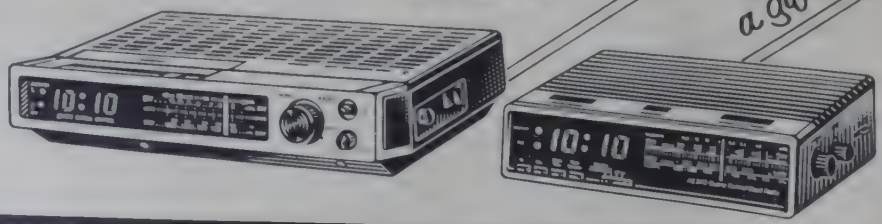
And you can use the alarm like an alarm. Plus, the "snooze facility" is a gentle reminder 9 minutes later. (Available in the deluxe version AS 490).

The timer reminds everyone in the family about appointments. (Meetings, picking up the children, time for the movie, and even business appointments)

There's more: pre-set the radio and alarm for the news or a programme you don't wish to miss.

Remember, it's available in two models: AS 490 and AS 340. The Philips Clock Radio: now you know why people call it names.

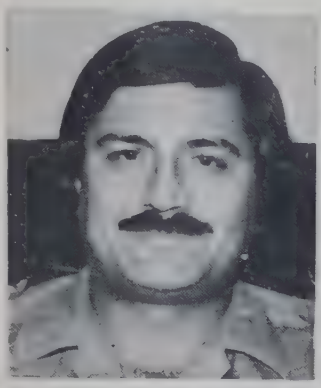
Great as a gift, too!



Philips – the trusted Indian household name for over fifty years

Products & processes

RANJIT HIRA



The hue and cry about pollution in urban areas and industrial environments continues unabated throughout the world. In India, a growing number of citizens are slowly waking up to the short and long-term dangers of pollution, especially in urban, densely populated environments. An electronic pollution control device branded an Ioniser, had been invented several years ago but had not been given the respect it deserved. Recently, however, after conducting detailed tests, a hotel in the Far East, which is part of a famous international chain has placed an order for all of its 400 rooms to be ionised.

IONISED AIR

Ionisers for treating and cleaning the air within closed rooms have been around for several years, but they do not seem to have been taken seriously; nor have the results of 'before' and 'after' tests been publicised adequately. However, recently, Sparklight Corporation, Hong Kong, seems to have achieved a breakthrough by persuading the Hyatt Hotel in Macau to ionise all its 400 rooms. This is a pilot scheme that could eventually lead to the famous international hotel chain ionising all its 50,000 rooms worldwide.

Air ionisers work by taking mains voltage and applying it to one or more sharp needle points, which send a stream of electrons into the surrounding air, which in turn creates negative ions. The effect is to neutralise odours and kill harmful positive ions produced by car and factory exhausts, cigarette smoke, dust, soot and other domestic and industrial pollutants. Outdoors, nature has its own methods of dispelling these positive ions. Indoors, however, the latter are not easily dispelled and can cause headaches, nausea, dizziness, etc., unless picked up by negative ions. Air-conditioning, heating, synthetic furnishings, fluorescent lighting, television sets and even walls and ceilings can reduce negative ion concentration to as low as one hundredth that of fresh air.

MANUFACTURING DIES & MOULDS

Technology For The People, Switzerland, represents a Swiss company which is interested in promoting joint ventures in developing countries for the manufacture of up-to-date dies and moulds for the plastics and metal industries. The company is one of the leading manufacturers in Switzerland, with its own subsidiary in the USA. It has over 25 years of experience, highly qualified engineers, around 70 skilled workers and mould-makers and the latest machinery, including an injection moulding department for testing each mould under actual working conditions before shipment to clients throughout the world.

A complete range of services is offered under one roof, ranging from advice on the best possible design to test runs for samples and small series. The company specialises in precision injection moulds for all thermoplastic materials; compression, transfer and injection moulds for thermosetting materials, as well as die cast moulds for non-ferrous metals. The company has been successful in all important areas, including the medical equipment industry (disposable syringes), pharmaceuticals, appliances, audiovisual equipment, electronic equipment, drip irrigation, packaging, etc.

The company is willing to transfer the necessary knowledge, experience and skills for designing and manufacturing moulds and dies through on-the-job training with close collaboration over an extended period of time. The company is particularly interested in working with a local partner who can manufacture simple forms and/or carry out the basic or 'rough' operations on complicated moulds as a subcontractor to the Swiss firm.

WONDER CHEMICAL FOR OIL-FIRED BOILERS

Hydroline, Australia, has developed a special chemical branded Hydrol and a special mixing process which reduces fuel costs and pollutant emissions in oil-fired steam boilers. According to the company, an Australian test using 224 Kw (300 hp) oil-fired steam boilers in a meat processing plant produced gross fuel savings of up to 9%. The process involves the use of a specially manufactured chemical—Hydrol—to blend water with oil. This mixture, combined with the special mixing process, considerably enhances the combustion characteristics of the emulsified oil. It allows operators of oil-fired burners to use much cheaper, heavier, lower grades of fuel and achieve much better results from the existing fuels used by them.

INSTANT PICKLE MIX

The Central Food Technological Research Institute, Mysore, has developed an instant pickle mix which, when mixed with water and kept overnight, provides ready-to-eat pickle. The preparation of the mix involves the cutting, curing, salting and drying of fruits such as mango and lime. The pieces are then added to pre-mixed spices. The product is easy to store, transport and reconstitute. This process may be profitably exploited by a cottage industry with a capacity to handle 250-300 kg of raw materials per day.

NEW CONCRETE REINFORCEMENT TECHNIQUE

Forta Corporation, USA, has developed a new type of synthetic fibre which, when added to concrete, provides secondary reinforcement which is superior to wire mesh. Branded Forta-Fibre, it is supplied packed in bags, making it easy to store, light-weight and economical to transport.

Forta-Fibre is three dimensional and chemically inert. It reduces shrinkage and permeability better than wire mesh and also reduces both plastic and hardened concrete shrinkage. It improves impact resistance and ductility, increases durability and lowers long-term maintenance costs. No special equipment or labour is required—the contents of the premeasured bag have simply to be added to the mixing system. The perfect mix is 1.6 lb per cubic yard of concrete.

Enquiries: Applied Technologies
C/o BusinessWorld, 145 Atlanta,
209 Ceremonial Boulevard,
Nariman Point, Bombay-400 021

Fire can turn your assets into ashes.

Protect your vital documents with Godrej Fire Resisting Equipment. Because fire strikes without a warning.

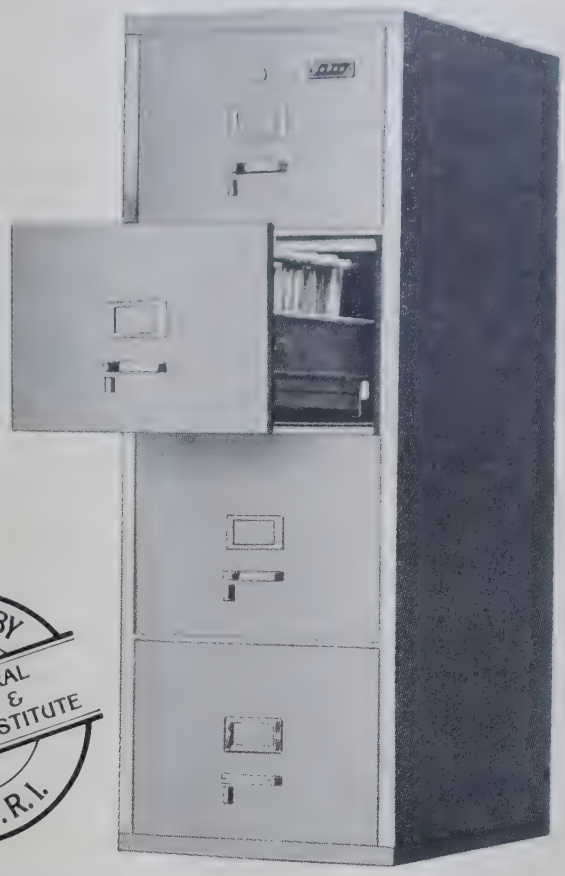
From the beginning of this century, Godrej has been the leading manufacturer of security equipment in the country. Over the years, Godrej has become a name you can trust for superior quality and workmanship.

You just have to see the Godrej Fire Resisting Equipment to know why. Because feature for feature, it is the most reliable record protecting equipment. This is clearly proven by the fact that it is the only range of record protecting equipment which is certified for the 2-Hour Fire and Impact Tests by the Central Building & Research Institute.

What is more, Godrej Fire Resisting Equipment is designed to add elegance and efficiency to your organisation. Just take a look at the superior features.

GBM-2476





CERTIFIED BY THE CENTRAL BUILDING & RESEARCH INSTITUTE C.B.R.I.

Godrej Fire Resisting Record Cabinet

1. Unique electrically welded, double-walled body construction to withstand the impact of a heavy fall during fire.
2. Special tongue-and-groove closure design is used between body and the door front to prevent passage of flames and hot gases.
3. The unique fire resisting compound used by Godrej is stable and does not deteriorate with age. It is non-corrosive and offers as much resistance against heat as a 610 mm thick concrete wall.
4. 20% more storage space than others. Adjustable shelves and a range of accessories are available for optimum use of space.
5. A six-lever dual control Godrej precision lock plus 8 movable shooting bolts ensure safety — a Godrej hallmark.

Godrej Fire Resisting Filing Cabinet

1. Outer and inner steel body is reinforced in vital areas to withstand the severe impact of a heavy fall.
2. Special tongue-and-groove closure design is used between body and the drawer front to prevent passage of flames and hot gases.
3. Steel enclosed 60 mm (approx.) thick drawer separators are integral with the body. These protect the contents from fire even if one of the drawers is left open inadvertently.
4. A 55 mm (approx.) thick layer of Godrej's unique fire resisting compound reinforced with wiremesh increases the strength and rigidity of the cabinet and enhances its capability for protecting the contents during fire.
5. Each drawer is fitted with a heavy duty slide, having ball bearings to ensure smooth movement — essential for the users.
6. A six-lever dual-control Godrej precision lock for safety. Each drawer is provided with a spring latch which enables the users to push-close the drawers during an emergency.

Godrej also offers 2-drawer fire resisting filing cabinets for smaller offices, individuals, professionals, consultants, lawyers, etc.

Godrej®

Record Protecting Equipment

A superior fire-protection for your vital documents

LETTER FROM KUALA LUMPUR — SUHAINI AZNAM

Rumblings of discontent

Although the same government has ruled Malaysia since independence—marked by a peaceful succession of four prime ministers over 28 years—the character of politics and leadership style have changed. Continuity with change is possible partly because of the strength of the United Malays National Organisation (UMNO), the dominant party in the ruling National Front, to which the leader, the prime minister, is ultimately beholden. The real king-makers are the UMNO delegates who vote in their party chief. And behind them and the MPs is a lively popular electoral-based system. UMNO has grown considerably in size and clout. In the alliance, the forerunner of the National Front, the coalition's other component parties had a lot more influence than their successors do today.

Attendant dangers. Many observers note the dilution of Chinese and Indian participation in government and the attendant dangers of losing input from these important segments of Malaysia's society. These observers fear that, in time, Chinese and Indian restlessness could result in their disaffection with the National Front.

Racially based rivalry, however well controlled, lies just below the surface of Malaysian society. But many who remember the country's only race riot—in 1969—worry that tensions stemming from belt-tightening measures will find an outlet in racial expression—especially among the Chinese, unhappy with the new economic policy (NEP) favouring indigenous Malays or *bumiputras*.

Despite government attempts to forge national unity through social interaction and in the arts, social identity and political representation are still racially based. Within educated urban circles, those who yearn for a Malaysian identity come up against the realisation that the National Front segregates the citizenry and that it is in the coalition's interest that politics remains that way.

Meanwhile, in leaner times, even some *bumiputra* businessmen are grumbling that only a select circle with the right business contacts and political connections are enjoying the fruits of the NEP.

Faced with rumblings of discontent, prime minister Datuk Seri Mahathir Mohamad has been reminding Malaysians of the country's achievements under the National Front during his countrywide pre-election rounds over the past two months. But memories are short, and the government is hard-pressed to sustain its image when 43,844 workers were retrenched last year and about 40,000 more have returned home from Singapore, mainly from construction sites.

Criticism of the government covers a range of issues: charges of ostentatious government spending; corruption and mismanagement of public funds; unrelenting controls under the controversial Internal Security Act and Official Secrets Act; and proposals to turn Tamil and Chinese language schools into national schools, an ethnically sensitive issue.

Critics appear to have grown more vocal in the past two years—those from opposition parties as well as those from public interest groups such as Aliran, the Consumers Association of Penang and the Environmental Protection Society of Malaysia. However, to what extent an increasingly literate public shares their views is hard to determine.

The government has taken an increasingly tough stance towards its critics. Malaysia's Official Secrets Act, legislation originally aimed at curbing espionage, is now used to control the free flow of information. Under proposed amendments to the Act, offenders would receive a mandatory minimum sentence of a year in jail.

Near success. The dangers of a government whose power is unchecked by a strong opposition—the National Front swept more than two-thirds of the parliamentary seats in 1982—were brought home to Malaysians in 1983, when the government tried quietly to push through constitutional amendments that would have spelled out limits to the powers of Malaysia's constitutional monarchy. Although the issue itself is important, of greater concern was the government's near success at rushing through vital legislation untempered by a system of checks and balances.

Malaysia's next election, due before April 1987, appears imminent and this time even the National Front expects less spectacular success than in 1982, though victory with a simple majority is almost a foregone conclusion.

SOUTH AFRICA

The military option

The recent five day visit of prime minister Rajiv Gandhi to four southern African states—Zambia, Zimbabwe, Angola and Tanzania—which concluded on 18th May, was not without significance. For not only was it Gandhi's first visit to the four 'frontline' African states which are in the forefront of the struggle against apartheid in the Boer dominated Republic of South Africa, but the trip was also marked by some of the strongest denunciation ever of the South African regime by an Indian head of government.

"The Pretoria racists have repeatedly destabilised and invaded their neighbours. They have, on the soil of Angola, abetted subversion, raided your homes (and) killed your men, women and children. No norms of international law or civilised behaviour are left inviolate. This is unabashed state terrorism," said Gandhi at Luanda, the capital of Angola. Similar sentiments were also echoed by him in the other three capitals he visited.

Indeed, the sharpness of his broadside seems to have provoked the South African regime. No sooner had he turned for home, Pretoria bombed selected targets in three frontline states—Zambia, Zimbabwe and Botswana—on 19th May. Ironically, the attack also came at a time when the seven member Commonwealth Eminent Persons Group (EPG)—which included India's former foreign minister Swaran Singh—were in South Africa, negotiating with the racist regime for a peaceful transition to majority rule. But the South African aerial bombardment of the three frontline African states delivered a death blow to the peace efforts and the EPG was left with little option but to cut short its visit by two days and return to London.

Blatant aggression. The EPG was mooted by the Commonwealth heads of government meeting in Nassau (Bahamas) last October as a last resort before initiating economic sanctions against the racist regime. But Pretoria's blatant aggression on its neighbours has put paid to the EPG's efforts and is likely to strengthen the case for imposing economic sanctions against South Africa—a proposal which has the support of the South African Nobel laureate Bishop Desmond Tutu.

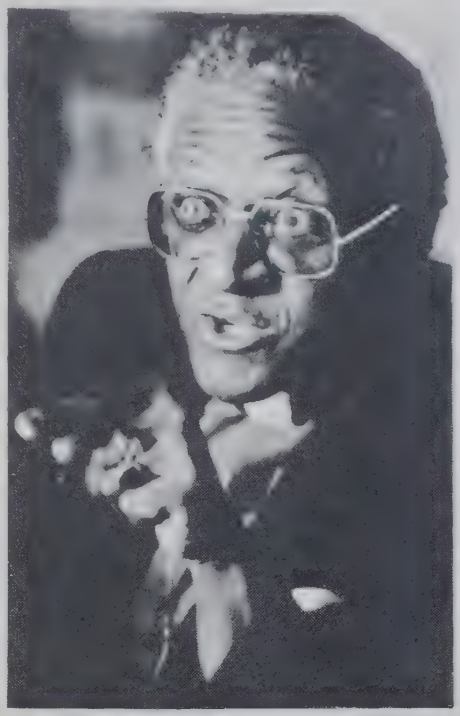
Comments an editorial in the *Financial Times* (20th May), "Not only will the raid on three Commonwealth countries embarrass Mrs.Thatcher, the British prime minister who argued strongly in Nassau against sanctions and in favour of dialogue... yesterday's action by Pretoria may exhaust the patience of African leaders, dash such hopes for reform as were raised by the recent lifting of the republic's pass laws and strengthen the calls for sanctions."

Yet another fallout of the recent South African aerial attack has been that it has strengthened the position of the banned African National Congress (ANC) which has been spearheading the fight against white rule in South Africa. As Patti Waldmeir writing for the *Financial Times* from Lusaka (21st May) notes, "...even as South African fighter bombers screamed over Lusaka, the ANC's headquarters...(ANC) officials were pondering a major dilemma: whether to talk about peace to the group's worst enemies in Pretoria and risk condemnation from radical young ANC supporters in South Africa's black townships; or to refuse to talk and so jeopardise the international community's growing support for their cause."

The South African raid has however resolved the dilemma for them in that it has paved the way for a return to arms for the 74 year old ANC, whose charismatic leader Nelson Mandela has been languishing for over two decades in a South African jail. Simultaneously, it has also legitimised the guerilla warfare tactics employed by the banned South West African Peoples Organisation (SWAPO) which has been fighting for Namibia's independence from South African rule for 19 years.

This is significant as there is a growing recognition that the only option for removing the cruel injustices of apartheid and white minority rule in South Africa is the military one rather than political or economic sanctions. Given the sizeable investment and other economic interests which most developed nations and particularly the US and Britain have in South Africa, it is inconceivable that they will wholeheartedly support any moves by the international community to pressurise South Africa by isolating it either economically or politically.

Lucrative trade. In 1983, for instance, of the 236 transnational corporations doing business in South Africa, as many as 143 had their headquarters either in the US or Britain. And given the fact that many of these companies are involved in the lucrative commodities trade, particularly in precious commodities such as gold and diamonds—of which South Africa accounts for as much as 60% of world supplies—the possibility of economic destabilisation in that country makes it virtually impossible for western governments to throw their weight fully behind stringent economic or political sanctions against the apartheid regime.



Tutu: economic sanctions advocate

On the contrary, West-backed international financial institutions such as the International Monetary Fund—which disbursed a $1.1 billion loan to South Africa in 1983-84—have been granting loans to Pretoria for ostensibly economic purposes. But it's hardly a secret that much of this money has been spent to beef up South Africa's armed forces, whose *raison d'être* is to maintain the inequitous status quo in South Africa.

Tragically, even some of the frontline African states themselves have forged economic links with South Africa, which cannot be broken without severe repercussions on their economies. Comments an editorial in *The Times of India* (20th May), "Indeed, some of the member nations of the Organisation of African Unity itself *(sic)* find it impossible to break their economic links with South Africa. Botswana and Swaziland, for instance, get their entire power supply from that country and 90% of the exports of both Zambia and Zimbabwe flow through it. In order to increase their dependence, Pretoria subsidises such transport, making it uneconomical for the landlocked states to look for other outlets."

However, whatever the economic compulsions of maintaining the status quo in southern Africa, the realisation of the rising political aspirations of the black majority in South Africa and an end to the abhorrent practice of apartheid can brook no further delay. Efforts to unite the international community in a bid to isolate Pretoria have been made for decades without any significant success. Neither are they likely to succeed in the future, given the pusillanimity of the major industrialised nations—including Japan, whose citizens now enjoy honorary whites' status in South Africa—which have a vested interest in not rocking the South African boat.

In the event, the only option which seems both feasible and morally just is to intervene militarily by way of overt support to the frontline African states and rebel groups such as the ANC and SWAPO through an Afro-Asian initiative. And India, as both chairman of the Non-Aligned Movement (NAM) and a major Asian military power, is in a unique position to take the lead in the matter. Moreover, the fact that there are over half a million people of Indian origin in South Africa, who are also at the receiving end of the humiliating inequities of apartheid, should be an additional incentive. However, Rajiv Gandhi, by recently ruling out the possibility of supplying arms to the frontline states, has foreclosed the possibility—at least temporarily—of India leading such an Afro-Asian or NAM initiative.

Tremendous stimulus. Nevertheless, the military option itself makes eminent sense for South Africa's military might would pale before any joint Afro-Asian force. Moreover, just the presence of a large military force on its borders is bound to unnerve South Africa's white rulers, even while it will provide a tremendous stimulus to the 20 million strong South African black community and encourage it to intensify its struggle for liberation. And even if push comes to shove, there is little doubt that South Africa's 4,00,000-strong combat forces (including police) can be taken head-on by such a joint Afro-Asian force.

In the final analysis, mere rhetoric, however powerful, has its limitations. In the case of South Africa, the Boer regime has long become immune to the barrage of verbal condemnation heaped upon its racist policies. Consequently, non-whites in South Africa continue to suffer humiliations and injustices of the worst kind under the yoke of apartheid.



More rubber

That's what the new Ceat C 800 offers. This sleek premium-depth car tyre is packed with extra rubber.

More mileage

And what the extra rubber gives is extra mileage. The sleek design of the C 800 reduces drag and improves fuel efficiency.

More Ceat

The new C 800 has all the benefits of the advanced Ceat technology. And the C 800's lightweight design with angular zig-zag ribs is a direct result of this technology. So that you get extra stability and smoother rides.

CEAT

Going your way.

ULKA-CT-TM-85 R

Certainly, the toppling of the minority government in South Africa, whose very existence is a standing insult to the vast majority of the world's population, is overdue.

Increasingly, it is becoming apparent that a call to arms is the only realistic option. And increasingly too it is becoming evident that the Afro-Asian nations, whose populations are classified as congenitally inferior to the white man under the doctrine of apartheid, will have to wage a bloody crusade—perhaps the last unequivocally righteous war in human history—to liberate South Africa.

True, most of the Afro-Asian nations cannot afford to wage a war, righteous or otherwise. But sometimes, nations as well as people need to die a little so that others can live with a little dignity.

Binu S. Thomas

OECD

Summit cost-benefits

The three day meeting at Tokyo of the heads of seven highly developed countries—US, Canada, UK, France, Britain, Italy and Japan—which ended on 6th May, duly engaged the attention of the rest of the world. For, given the dominant role which these countries play in the management of the global economic system, decisions taken at the Tokyo summit are expected to have ramifications on a global scale.

Writing in the *International Herald Tribune* (3rd May) on the eve of the meeting, Paul Lewis summed up the importance of the summit and the major issues involved: "The summit nations will assert that the major industrialised powers are cooperating more closely on managing the world economy. They will point to the prevailing consensus on economic policy as well as to the recent joint action to lower the dollar's value on currency markets and efforts to stabilise exchange rates in the International Monetary Fund."

In addition to these issues, the summit was, of course, to focus its attention on the necessity of maintaining a smooth flow of world trade, especially in farm products. Tension had been building up between the US and the EEC because of the reduced access for US farm exports to Spain and Portugal, which had recently joined the EEC and had to implement the tariff norms stipulated by the EEC.

However, of all the various issues which were to exercise the minds of the seven leaders, the most crucial and perhaps the most difficult was the one concerning the steep fall in the value of the US dollar. Since the group of five meeting in New York on 22nd September 1985, the dollar has depreciated sharply against all major world currencies. Between 22nd September and 2nd May the dollar dropped in value by 30% against the yen, 24% against the deutschmark, 20.6% against the French franc and by 13.6% against the pound sterling.

This has predictably alarmed most of the trade partners of the USA. In particular Japan and West Germany, whose exports have been badly affected by the appreciable rise in the value of their currencies vis-a-vis the US dollar, have begun crying foul. But the US for its part has preferred to let the dollar continue its fall in world currency markets as it sees this as the only way to step up its exports and reduce its massive trade deficit of $148 billion in 1985.



OECD leaders: the most crucial issue was the steep fall in the value of the dollar

Successful assault. Consequently, the problem has become serious, with US and its allies not being able to agree on the extent to which the depreciation of the dollar should be permitted. Commenting on the problem, an editorial writer in the *Financial Times* (7th May) notes, "Last year, when the big five central banks launched a successful assault on the overvalued dollar, there was general agreement that a cheaper dollar was needed. Today there is no such consensus about appropriate exchange rates or any other aspect of economic policy."

Not surprisingly, the summit did not witness any accord on arresting the fall in the value of the dollar. This was because the US delegation had made it clear that it would reject any proposal to prop up the dollar. Consequently, the summit ended with a bland communique which stressed the need for "close and continuous coordination of economic policy" between the seven countries.

Indeed, the final communique was nothing more than a statement of innocuous intentions rather than hard decisions. The summit leaders *inter alia* agreed to form a new group of seven finance ministers, including those from Italy and Canada, for more frequent consultations between summits; to request the finance ministers to review their individual national economic objectives at least once a year to see if they are collectively compatible; to maintain, and where appropriate, expand official financial flows to developing countries; to halt and reverse protectionism and to reduce and dismantle trade restrictions.

The final communique pleased only the US delegation as it did not alter the status quo in relation to the depreciating dollar. President Reagan described it as "the most significant summit I have attended during the six years of my presidency," while US treasury secretary James Baker described the call for greater economic cooperation as "a development we haven't seen the likes of in 13 years."

Yet for economic analysts searching for the proverbial silver lining, the summit communique was not entirely disappointing. Writing in the *International Herald Tribune* (9th May), Peter

Why today's top-managers must have a head for computers.



Fact is, the future of your company depends largely on how you exploit the opportunities computers are throwing up.

According to International Business Week, "For top executives to utilize computer technology fully, they must recognize that it has become too critical to leave to the technicians."

So whether your company already has a computer, or is planning to get one, it is imperative that you understand the essentials of this technology. Only then can you make sure your company gets the most out of computerisation.

That's where COMPUTERS TODAY comes in

It's the one magazine that looks at new information technologies from the point of view of top management.

Read it. You'll get well-researched, well-analysed, well-presented information that's particularly relevant to the Indian corporate world. Written in a lucid, crisp style.

There's a regular section on 'managing Information Technology.' In it, you'll find articles on how to implement new technologies, the opportunities you can, and should exploit, the pitfalls to avoid ... the kind of information that's an absolute must for top management.

Over and beyond this, COMPUTERS TODAY gives you the latest industry and product news—both national and international. In fact you will get to know anything that's happening anywhere in the field of computers.

If all this sounds like advertising hype, here's a fact that might interest you : more top-level decision makers read COMPUTERS TODAY than any other computer magazine.

From the publishers of INDIA TODAY

So if you'd like to get in touch with what computers are doing to business today, mail the coupon to us. Fast.

Computers TODAY

I am sending a cheque/DD of Rs. 72 in favour of Living Media India Pvt. Ltd. Please make sure I get the next 12 issues of Computers Today regularly.

Name _____

Address _____

Living Media India Pvt. Ltd.
Subscription Department
Thomson Press Building
Post Box 69
Faridabad 121 007
Haryana

Computers TODAY

You could turn obsolete without it.

Interface 5809

T. Kilborn described the summit as a "mixed blessing." According to him, by making the seven countries aware of the need to impose a greater discipline in managing their economies, the summit has paved the way for a "managed floating exchange rate system" to replace the present "free floating rate exchange system."

Economic discipline. There are obvious difficulties in implementing the new system. Its success will depend entirely upon the willingness of the countries involved to maintain strict economic discipline even when the trade situation may not be in their favour. Crucial to settling the controversy over the strengthening of non-US currencies, particularly the West German mark and the Japanese yen, is the US suggestion that its allies, particularly West Germany and Japan, offset their loss in exports by increasing domestic demand. But neither West Germany nor Japan which enjoy trade surpluses of $50 billion and $26 billion respectively—in contrast to the US trade deficit of $148 billion—are willing to substitute their 'exports-led-growth' strategy for the US proposal to boost domestic demand.

Indeed at the Tokyo summit, the Japanese prime minister Yasuhiro Nakasone argued that the US should cooperate with Japan and West Germany and jointly intervene in the exchange rate market to arrest a further fall of the US dollar—but his arguments fell on deaf ears. The US stuck solidly to its view that stability in world exchange rates can be maintained only by reducing the whopping US trade deficit, which in turn would require a stepping up of US exports and a simultaneous reduction in US imports.

Meanwhile, many economic commentators support the US view that both West Germany and Japan should offset the decline in their exports by boosting domestic demand. Comments a *Financial Times* editorial (7th May), "In the long run there is no way for Germany and Japan to evade the choice between reflationary policies and further revaluations of their currencies against the dollar. As long as these countries' huge current account surpluses persist, they must either accept the higher values for their currencies or they will end up pursuing expansionary macroeconomic policies."

Even as it failed to resolve the differences over the crucial question of currency exchange rates, the summit also failed to resolve the farm trade dispute between the US and the EEC countries involving US agricultural exports to the latter. Similarly, the Tokyo summiteers also could not arrive at a date for the proposed global trade talks which have been hanging fire for two years.

Yet, on the positive side, the summit saw a degree of consensus on the measures to counter terrorism. Six measures were agreed upon to check international terrorism and thanks to pressure from the US, Libya was singled out as a country which supported and sponsored terrorism.

Ultimate analysis. All the same, at the end of the three day summit the overwhelming feeling was one of *deja vu*. The Tokyo summit, like those that preceded it, proved to be little more than a pledge-taking exercise with the accent on rhetoric rather than on coordinated action. However in the ultimate analysis even such pledges and summits have some value—howsoever minuscule. As an editorial in the *International Herald Tribune* (9th May) summed it up, "No one imagined that in three days the leaders of the seven countries would devise a new world order any more than they have at previous summits. This year's pledge to work together more closely and more frequently is not a historic breakthrough that the administration claims; that has been pledged before. The true value of these summits is to focus the attention of the industrial world's policy makers on economic inter-dependence."

MGK

COMPANIES

New breeze in Unilever

Unilever is coming out of its shell. Michael Angus, newly-appointed chairman of the British end of the Anglo-Dutch soap, food, cosmetics and chemicals combine, is still quite coy about it, but he admits that the group has come to recognise it is living in "a franker environment."

Improving internal and external communications comes close to the top of his list of priorities for his term of office.

Noted among city analysts, investors and the press for its impenetrable ways on the corner of London's Blackfriars Bridge, Unilever is feeling the need to be better understood. "Employees want to know," Angus says, "you have got to explain to people what you are doing to let them know why they should help you do it. It is a function of efficient leadership. People want to feel involved."

The city too will share in this new openness. It is not that the company has been misunderstood, he says, rather that it presents "a puzzling and complicated entity." Investors and stockbrokers' analysts have become more demanding, pressing for more information and detail about the group's doings. "There is no merit at all in being mysterious," says Angus.

Accordingly, an interview with him, fixed strictly for one hour, promptly stretches to twice that length. Angus, a burly, rumpled man, who took up his post when Sir Kenneth Durham stepped down at the annual meeting on 14th May, appears to have strengthened his faith in communication during his spell in the US, where he was sent in 1980 to prevent Lever Bros from collapsing under the drubbing being handed out by Procter & Gamble (P&G) and Colgate Palmolive.

Simple instruction. "My arrival was dramatic and traumatic," he recalls. The group's decision to pick a director and send him over with the simple instruction to put things right was unheard of. His first task was to let the demoralised US workforce know what they were up against.

"I spent half my time communicating. It was important to be high profile," he says. And he remembers a staff meeting where he was asked what Unilever was going to give its ailing subsidiary. "$60 million equity and me," he replied.

If the group's decision to send in a fireman director was unheard of, so was his method of dealing with the problems. He promptly brought in teams of experts, manufacturing men, engineers, marketing experts and margarine specialists from Europe. "They were professionals," he says, "It did not really matter that they did not speak American."

Intervening in this way, Angus overcame a debilitating condition not normally associated with Unilever. It had been overawed by the size of the US market.

"It suffered from the natural humbleness of a European when he looks at the great aggressive market of the US," he notes. Its reaction had been typical of European attitudes, and it had appointed US managers to run its affairs. Unilever failed to appreciate that Lever Bros was not a typical domestic US company. It was up against international competition from its arch rivals, and it needed an international style of management.

The basic problem was that Lever Bros had under-promoted its brands and failed to look after its capital assets

"Volume fell, which does not help unit production costs, and to make a profit the management curtailed costs in the short term, reducing spending on promotion, advertising and research and development," he says.

The margarine business was in such a sorry state that at one stage he believed the company might have to pull out of the market altogether. "The problems were absolutely terrible. Our manufacturing costs were about three times those of our competitors and we had to close the plants."

The local management also entertained "ludicrous" theories about outflanking Procter & Gamble. It had the idea there might be little market niches which P&G had not noticed, he says scornfully. "There is no way of outflanking them. The only solution is to meet them head on."

Aggressive programme. The results are impressive. After rebuilding the margarine business and buying Shedd's, a margarine manufacturer, from Beatrice Foods in 1984, Lever Bros now has more than 30% of the US market compared with about 7% when Angus arrived. An aggressive new products programme, P&G-style, has won it market leadership in the bar soap business and major shares in the $3 billion (Rs. 3,600 crores) detergent business.

Angus recently said Lever Bros formerly lost money for the wrong reasons. Now he says it is still making losses—but for the right reasons. Unilever as a whole recorded a £13 million operating loss in the US in the first quarter of this year. The red ink reflects the investment the company has made in a flood of new products. To introduce a new detergent into the whole US market would cost the equivalent of $150 million (Rs. 180 crores), he estimates. In practice, products are launched gradually, region by region.

"Lever Bros is now a cost-efficient manufacturing and marketing company," he boasts, "We have built up the R&D side, doubled the scientific force and put in $50 million of investment. That is possibly the most important thing we have done there."

However, there is still a glaring weakness. Its personal products division accounts for only 5% of US sales, and is suffering severe losses. Angus blames bad luck and bad judgement for two of its more recent disasters. Dimension shampoo failed miserably because it came to the market at the same time as a dozen other new brands. Its toothpaste interests have suffered because it was slow to enter the high margin pump dispenser trade.

"We were caught on the hop," Angus admits. Dispensers had flopped earlier in Europe. "We failed to realise they would go better in an innovative market like the US."

He suggests two ways of curing the problem. Organic growth is one. "We have a good personal products business in the rest of the world. There must be ways we can take our skills and exploit them in the US," he says. The company also needs to buy. "Ideally a nice acquisition with weight in the US would fit our strategy. But there's not a lot left," he adds wistfully.

Priced out of its attempt to take over Richardson Vicks by Procter & Gamble—"Even if we had been prepared to go up, P&G would probably have paid more," Angus says—the company is still looking. What of Beecham, which press speculation has suggested might be of interest to Unilever? "I can't really comment on that," says Angus. "Whatever I say can be misunderstood."



Angus: rough year prediction

Rough year. For the moment Unilever seems to be stumped. New management has been installed. The special committee—the group of three directors which runs the company and binds the British and Dutch parts together—visited the division recently to investigate for itself. "We are going to have a rough year," Angus concludes.

The group also faces some difficulties in Europe, which suggest a lack of agility—perhaps even a touch of arthritis.

The UK margarine market is also playing up, and Unilever has been caught out by the rapid inroads made by butter and vegetable oil mixes into the yellow fats business.

The key to turning round personal products in the US, and fending off competition in Germany and the UK, lies in building up and maintaining volume sales, another of Angus' priorities for the business as a whole. Getting rid of non-core activities, a pet project of Sir Kenneth's has progressed smoothly. Now Angus is seeking to add back the volume stripped out in the process of disposing of its European oil mills, builders' merchants, butchers' shops, timber, floor coverings and other misfits.

Ten years from now, he sees Unilever still bigger and broader. Its agribusiness has plenty of room for growth, he says. Promising work in medical diagnostics could lead to further sideways expansion. He wants a fatter global business, already sees signs of accelerating sales in the Far East and India, and he seeks more of the prized North American market.

There will also be changes close to the heart of the company. Some are already apparent, according to Angus. "We are very much a businesslike company. In my early days, parts of it used to be like the UN," he says, referring to the group's one-time reputation for a rather civil service mentality.

Now aged 56, Angus joined Unilever as a management trainee with a degree in maths and after service with the RAF. His first company was D&W Gibbs, where he became brand manager for Sunsilk hair shampoos. Marked out early as a high flier, he joined the board of Unilever in the UK at the age of 40 as a toilet preparations coordinator, and became head of the chemicals division before his US posting. He joined the special committee on his return in 1984.

Third man. The special committee itself has developed into a more democratic body. He prizes his experiences as the "third man" over the past two years during which Sir Kenneth and Florent Maljers, the head of the Dutch end of the group, had allowed him to play an equal part in policy-making.

"This has not always been the case with the third man," he says, attributing the change in attitude to the fact that both his colleagues had themselves endured spells in that relatively junior role. As a result, he had felt himself closely associated with the strategy for paring the business down to its core operations, even though it was instituted before he came.

He also felt free to exercise his personality at stressful times. Confessing to a tendency to be overbearing, he



We'll deliver. Wherever on earth. SKYPAK **The worldwide couriers.**

Skypak House, Off M. Vasanji Road, Marol Naka, Andheri (E), Bombay 400 059.

We could talk about bringing the wor



But we would
taking India



AKSHARA/ITDC-43-B

India Tourism Development Corporation

o India.

ather talk about
o the world.



Today the world of Ashok is world-wide. Through our association with three of the foremost international hotel links. Odner Hotel Representatives. Golden Tulip World-Wide Hotels. And Trusthouse Forte Hotels. A chain of over 1100 outlets that bring the world to India.

And through our food festivals and cultural shows we've given the world a taste of India.

Seoul, Kuala Lumpur, Bangkok, Singapore, Mauritius, Dubai, Kuwait, Damascus, Moscow, Belgrade, Budapest, Athens, Berlin, Geneva, Hanover, Washington D.C., New York... the list of our festival locations has girdled the globe. And now the latest... aboard the liner, Queen Elizabeth II. To each of these festivals, Ashok has brought the cuisines of India and the finest in entertainment. The magic of India's folk and classical art. And the charm of infinite variety. .

Yes, at Ashok we're helping the world discover the treasures of a glorious heritage, that's India.

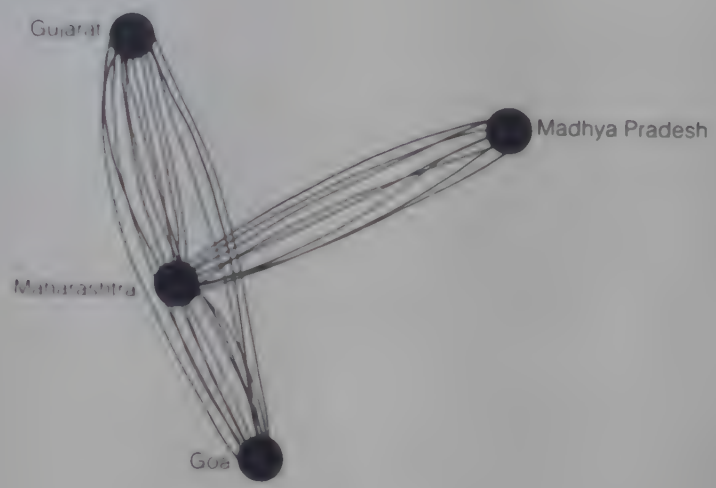


Destinations	22
Hotels	24
Beach Resorts	2
Travellers Lodges	3
Forest Lodge	1

The Ashok Group

HOTELS • TRAVEL SERVICES • DUTY FREE SHOPS

In a flick of an eye, in a fraction of a second, the new BBC computerised Load Despatch System can complete all this: Measure power generated in Gujarat, Maharashtra, Madhya Pradesh and Goa. Compare it with the power load needed. Assess surplus or shortfall. Instruct the surplus State's load despatch system to divert power to the deficient State. Store all this information. All it takes is just milli seconds. It's a more comfortable world with the latest generation electronics from BBC.



HBB has commissioned the country's largest computerised load despatch system.

To supervise the generation and distribution of power for the Western Region Electricity Board.

And it's been working efficiently ever since.

Ceaselessly adjusting the flow of electricity throughout the Western Region.

Co-ordinating between 36 power stations in an area covering 8,51,000 sq kms. That's 29% of the country.

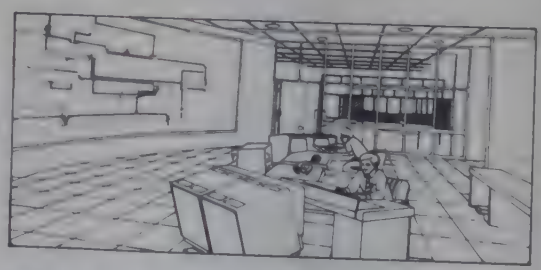
Compensating for voltage fluctuations and breakdowns. So you get electricity where it's needed. Fast.

BBC computer based Supervisory Control and Load Despatch Systems. Front line technology from Switzerland.

Designed for total reliability, with a hot standby back-up system. Dual computers to make sure nothing goes wrong.

Already installed in 120 projects around the world. Now working in India. For anyone lucky enough to live in the Western Region.

BBC
BROWN BOVERI
Hindustan Brown Boveri Limited
Electronic Systems Department
Brown Boveri House
Race Course Circle
Baroda 390 007



The latest generation in electronics and data processing just came to power. From BBC Brown Boveri.

says he helped reinforce Unilever's determination in its bids for Brooke Bond and Richardson Vicks. "I was able to say let's go out and kill these guys—what do you mean, we can't be hostile?"

Angus has also been pressing for the introduction of more performance-related pay scales—the division of his salary by four on his return from the US still rankles. The age profile of the senior ranks is changing as more younger people come through. For example, at Van den Bergh's, the UK margarine company, the whole board is in its thirties or forties, he says. The main board is "a bit old," he adds. "We may need to do something about it." The result, he believes, will be a more taxing environment inside the company: "It will be more competitive and exciting internally...and I," he adds jocularly, "shan't be here," having retired.

Whether the company will have changed significantly is another question. As Angus' predecessors have found, Unilever is a big ship to turn once it is set on a given course.

Christopher Parkes
(By special arrangement with the Financial Times, London)

BANGLADESH

Manipulated elections

Bangladesh's messy, controversial 7th May parliamentary election stirred a great deal of criticism for President H.M. Ershad's military rule. But the end result is unlikely to seriously erode his power and almost certainly will give the pro-government Jatiya Party (JP) a simple majority.

Polling day saw widespread intimidation of voters, violent scuffles between supporters of the two main contesting parties, bomb blasts, shootings and other attacks which left as many as 20 dead. Ballot boxes and even whole polling centres were hijacked by gangs—reportedly mainly from the JP, but also from the opposition Awami League.

It was undoubtedly the most disorderly of Bangladesh's three parliamentary elections since independence from Pakistan in 1971, leading to an unexplained suspension of returns from one-third of the constituencies for a whole day after the election, and the ordering of fresh polls in a number of these by 19th May.

As leaders of the JP and the trailing Awami League charged each other with inciting the violence and fraud, and the Bangladesh Nationalist Party (BNP), which boycotted the elections, took a "we told you so" attitude, some observers felt the scale of vote manipulation breached the bounds even of usual subcontinent political violence. Yet Awami League leader Sheikh Hasina Wajed, whose party appeared to have suffered most in the melee, reacted with comparatively muted protests.



Ershad: bounds breached

While complaining that her party had been cheated in more than 100 constituencies—including those of senior colleague and former minister Kamal Hossain and other party stalwarts—she made it clear that at least she would be taking her own seat in parliament.

Although Wajed, daughter of Bangladesh's founder-leader, Sheikh Mujibur Rahman, called for a half-day protest strike on 14th May and spoke of a programme of other protests, it was clear she was not about to follow the course of Philippine President Corazon Aquino and try to use a fraudulent election as a means to overthrow the regime through popular agitation.

Marked contrast. One reason for Wajed's comparatively low-key reaction may be that the Muslim fasting month of Ramadan, when people tend to become listless and inactive during the day, started on 11th May, shortly after the voting. In marked contrast to the highly charged political atmosphere on polling day, there has been an air of calm, bordering on apathy, both immediately before and after the voting.

But many foreign and local political observers believe that there was a private, loose accommodation reached between the government and the Awami League before the election. It is widely believed that on the eve of the deadline for election registration on 22nd March, when the party reversed its previous decision to boycott the polling because it was being held under martial law, an understanding was reached that if it took part it would receive funds towards its campaign costs and there would be no obstacle to the league winning a face-saving number—perhaps one-third—of the 300 national assembly seats.

"There must have been some assurance to the Awami League that they would get enough seats to satisfy them," commented one political source.

In many ways it makes sense for the league, one of Bangladesh's most deep-rooted parties, to run in the election, however tainted by fraud it was, and then to be installed as the leading parliamentary opposition party. Wajed could then come in from the political wilderness where she has been since her father was assassinated in 1975, and gain the status of opposition leader, while her colleagues would gain a legitimate forum in which to work for their five-point plan, including the lifting of martial law and the restoration of fundamental political rights, even though Ershad and the military continue to call the shots for the immediate future.

Perhaps even more important, both Ershad and the Awami League are keen to bury the BNP. From Ershad's point of view, the BNP is too similar to his own JP—a conglomerate centrist party, basically pro-western and pro-China. They are similar in ideology and make-up and, in fact, the JP contains many who have defected from the BNP. And both parties were spawned by the army—the JP under Ershad's patronage, and the BNP under his predecessor, General Ziaur Rahman, who ruled from 1975 until his assassination in May 1981.

Lost edge. The Awami League has lost some authority since its days in power. Many Bangladeshis look back ruefully on the violent, corrupt latter days of Mujib's administration. The party has lost its radical leftist edge with the

departure last year of the Baksal group—originally formed by Mujib in his last year as the basis for a one-party state—from the fold to form a new party of its own. Other supporters of the Awami League have been disillusioned by Wajed's decision to take part in the elections without gaining the concessions it had demanded from Ershad.

Although the BNP may have an uncertain future, the fact that it stood by its decision to boycott the elections proved widely popular. The party leader, Begum Khaleda Zia, Zia's charismatic widow, generally drew bigger crowds than Wajed, and was well received when she accused the government and the Awami League of being in an "unholy alliance" to reduce Bangladesh to a subservient status under Indian influence. Popular resentment of India's "big-brother" attitude towards Bangladesh is an emotive issue, and while the Awami League has always been regarded as pro-India and pro-Soviet, in the trite way that parties are labelled here, the BNP is looked on as anti-India.

Although on paper the BNP has much in common with Ershad, his military and the JP, Begum Zia herself is thought to harbour great enmity against him because she believes he had a part in, or at least was aware of, the officers' plot to murder her husband.

It is believed Begum Zia also enjoys some support in the armed forces, mainly because of the immense popularity her late husband once had with the military. Observers noticed that Ershad, using his martial law powers, cracked down on the BNP's anti-election campaign only after Begum Zia, on 29th April, called on the armed forces publicly to join her in resisting the poll. Ershad also had her confined to her home during the immediate post-election period—a move which produced local headlines for days and a backlash of bad publicity for the regime.

For his part, Ershad also denied any deal with the Awami League, though he was obviously grateful that, by taking part, the party gave the election credibility. "Seats are not chocolates that I can distribute," he snapped at a press conference after the election. The Awami League is thought to have been quite happy when Ershad seized power in March 1982 because it brought an end to the BNP's rule. India which looks on the party as its ally, was also prepared to go along with the coup for the same reason, and it is widely believed the Indians may have brought some pressure to bear on the Awami League to take part in the 7th May voting.

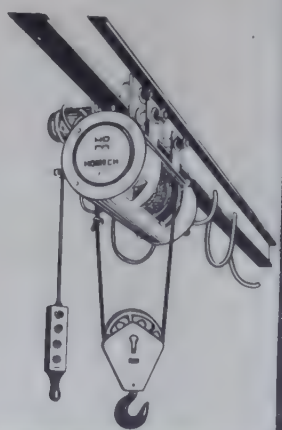
Continued stability. The Indian embassy keeps a lower profile in Dhaka these days, probably reflecting a new feeling in New Delhi that Ershad's rule promises continued stability, which is a greater priority for the Indians than any special relationship with the Awami League. If there is political turmoil in Bangladesh, surrounding India is bound to be affected, with—in an extreme case—the prospect of hundreds of thousands of the country's 100 million population pouring across the border.

One notable fact is that there has been no coup or even a whisper of one against Ershad during his four years in power. There were 20 attempted coups

3 major assets to industries

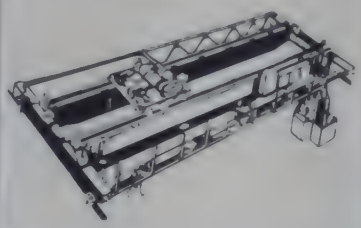
Homech
Electric Hoists

- Capacity 0.25 to 30 tonnes
- Built-in Safety limit switches
- Special Integral Electro mechanical brake
- Adaptable for winch duty, curved tracks and monorail systems
- Suitable for wide variations in I- Beam sizes
- Class F-Type insulation motors



Homech
Electric Cranes

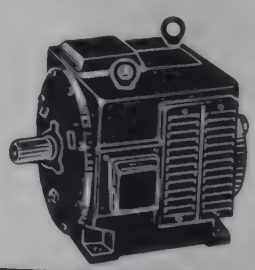
- Capacity upto 100 tonnes
- Manufactured to International Standards
- Electric Overhead, Underslung, & Goliath Cranes
- Power Winches



Manufactured and Marketed by:
HOIST-O-MECH LIMITED
2nd Pokhran Road,
THANE 400 601
Phones: 592555, 501477 & 503524
Grams: HOISTOMECH THANE
Telex: 011-71946

Homech
Eddy Current
Variable Speed Drives

- Wide application in almost every industry
- Range 0.2 to 40 kW
- Operates directly from 3 phase 400/440 volts AC power
- Electronic Control for constant torque or constant tension application
- ±2% accuracy in speed regulation
- Sophisticated stepless speed regulation
- Minimum maintenance
- Made in technical collaboration with Rudolf Muchna K.G., West Germany



GJA: 1728

against Zia during his rule and the 21st killed him. Ershad, who is still chief of the army and chief martial law administrator, takes care to consult his fellow senior officers constantly.

"He is moderate, flexible and he listens," one diplomat commented. Ershad met his generals two days after the election when, according to sources, they discussed the poll and he assuaged any fears in the military that the Awami League would have too many seats in the assembly.

While it is believed Ershad will be content with a simple majority for the JP, rather than a two-thirds majority—which might detract from the assembly's credibility—the military would be disgruntled if he was seen to be sharing too much power with the Awami League. The military still remembers the "bad old days" under Mujib's Awami League, when they were kept firmly in their barracks while Mujib's feared paramilitary, Rakhi Bahini, acted as their leader's political muscle.

Therefore, if Ershad is to retain firm control of the country, he will have to keep a wary eye on his military flank while carrying out his oft-stated programme of handing back full democracy to his country. He has said he does not want a rubber stamp parliament and that the military has no desire to have an institutionalised political role. But at the moment his 26-man cabinet has six serving military officers, including the 2navy and air force deputy chief martial law administrators, and he has the power to appoint one-fifth of his cabinet on a non-party basis. He wants parliament to ratify all the martial law ordinances during his period in power and he told one press conference that if MPS did not vote for this, then parliament would automatically cease to exist.

Ershad has also made it clear that he intends that the next item on his political programme—a presidential election, which will probably not be held until November at the earliest—also be held under martial law, which will subsequently be lifted.

In the final analysis, Ershad may have effectively reduced the political opposition's threat to his military regime for the moment. As one political analyst asked: "If a combined opposition (the Awami League and the BNP) could not remove him before, how can half the opposition do it through parliament?"

Rodney Tasker
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

LETTER FROM LONDON — FEONA MCEWAN

Wilkinson vs. Gillette

There's nothing like a spot of bovver (i.e. bother) in the form of comparative advertising of rival products for stirring up the marketing pot.

For five years, British consumers have been spectators at the duels-on-the-lawn as Qualcast (which fired the first salvo) and Flymo pounded up and down the turf in the battle for control of the power lawnmower market. Every inch of marketing mileage was wrung from the encounter as claims, counter-claims and open challenges saw to it that the public gaze remained fixed on the protagonists and their products. For the moment, the war is over, if not won (Qualcast claims victory with over 50% of the £100 million consumer market in the UK) and each side is concentrating on its own product in its latest advertising.

Pot shot. Now the spotlight turns to another battle of the blades as Wilkinson Sword takes a pot shot at Gillette, in the struggle for control of the systems sector of the UK shaver market. (This includes floating head and retractable blade razors and is the more profitable end of a market that also covers disposable razors and the original double-edged razors.) The Wilkinson ads go straight for the jugular, claiming that in a recent research survey of users of the Gillette product, over 60% actually preferred the rival Wilkinson product. The marketing world now awaits Gillette's reply.

Knocking copy, as it is known, is still exceptional in the UK (less so in the hard-hitting US) where a softly softly approach to pushing products is regarded as more in tune with British sensibilities.

Nonetheless, direct attacks on the competition by way of unfavourable comparisons are above board in the UK, provided they toe the line, as expressed explicitly in the codes of the Advertising Standards Authority (ASA—for press work) and the Independent Broadcasting Authority (for television commercials). These outlaw unfair discrediting, irrelevant and inaccurate comments, and the conferring of artificial advantage. So far the ASA reports one complaint only on the Wilkinson campaign. "There's always a member of the public objecting to derogatory advertising of any kind," says a spokesman.

There is always the risk with knocking copy that, if misjudged, the retaliatory action it invites can end up scarring the original protagonist. Some observers express concern at the Wilkinson strategy, on the grounds that in taking on a giant like Gillette, it is fighting itself into a corner, especially given Gillette's imminent new product launch, Contour Plus.

For the moment Gillette is keeping mum. "No comment at all," says its marketing director.

Unlike the lawnmower tussle where the protagonists were neck and neck in market share, this battle is more of a David tackling a Goliath. In the systems shaver market, on which the campaign is based, Gillette in the UK takes about 80%, leaving most of the rest to Wilkinson. In the total UK shaver market the breakdown is Gillette about 45%, Wilkinson about 30%, and the rest 24%, according to Richard Bate, Wilkinson Sword's managing director (UK shaving).

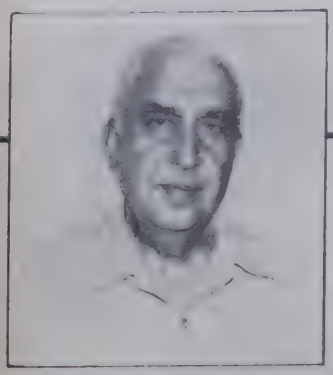
The agency behind the campaign is Wight Collins Rutherford Scott (WCRS), the agency which handles the Qualcast business. "I must have a reputation as one of the most aggressive advertising men around," mutters accounts director Alasdair Fraser, who appears anything but.

The sector had become cliched, with advertising that featured beardless young men shaving, or else took the pop video approach, which says Fraser, was fine but did not urge people to switch brands.

Considerable response. So far, just four weeks after the campaign (which includes two television commercials) was launched in mid-April,it is too early to see results in sales terms, says the company. But trade response is considerable. "People are talking about the advertising," says Fraser.

At this stage the comparative advertising strategy is in UK only. "We're at a different stage of the marketplace in the US," says Bate. "Some 10 years ago we had over 10% there but we let it slip and now have less than 1%. So our US advertising is a more straightforward new product style, getting the brand name across and describing product benefits."

A record year at Shalimar Paints



Chairman's Speech at the Annual General Meeting on 30th May, 1986

Ladies and Gentlemen.

I extend to you all a cordial welcome to the 84th Annual General Meeting of your Company

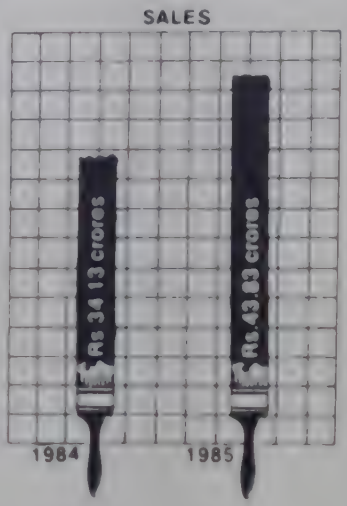
The Notice calling this meeting the audited Accounts and Directors' Report for the year ended 31st December 1985 have been with you and, with your permission, I shall take them as read

Your Company continued to make very satisfactory progress in 1985. Notwithstanding the highly competitive environment in the Paint Industry, a greater market penetration was achieved. This enabled your Company to increase its market share. The sales turnover increased by 28%, from Rs.34.13 crores in 1984 to Rs.43.83 crores in 1985. Profit before tax increased by 63%, from Rs.1.05 crores in 1984 to Rs.1.71 crores in 1985

Based on the good performance of your Company in 1985, the Directors have recommended, for your approval, a higher dividend of Rs.1.50 per share, as against Re.1 per share last year. Besides, the amount to be transferred to reserves is Rs.47 lakhs, as against Rs.8.4 lakhs last year

Several bold decisions were taken by the Government in 1985/86 to stimulate industrial growth. Industrial licensing was liberalised, the concept of broad banding introduced, assets limitation for MRTP companies raised from Rs.20 crores to Rs.100 crores, and R&D effort and updating of technology encouraged. Direct taxation was reduced to generate surpluses for growth and the concept of MODVAT was introduced to minimise the cascading effect of excise levies

It is now incumbent on industry to respond to these measures by increasing production, lowering costs, improving service levels and

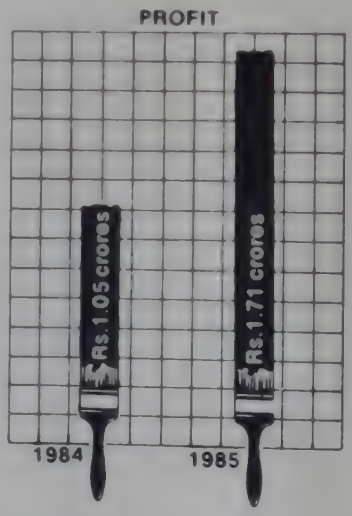


the quality of goods. The management and workers have a joint responsibility for achieving these objectives. I am sure your Company will not be lacking in its efforts to contribute to these national goals, as indeed it has proved in 1985

Your Company has rationalised a wide range of its products to meet specific customer requirements. Greater emphasis is being placed on Research and Development, for which the Company is making fresh investments. New products for marine and protective coatings have been introduced. The Company has further consolidated its position in the areas of marine, protective coatings, packaging coatings and industrial paints. Along with this, significant headway has been made in the area of building paints. The flagship brands of your Company, i.e. Superlac Emulsion and Superlac Enamel, are now supported by a wide variety of other products which help the Company to make further inroads in the decorative paint market

Some recent developments, however, have caused us a certain amount of concern. One is the amendment to the Bonus Act, the financial implications of which remain to be watched since they are not linked with possible increases in productivity, and will place additional burdens on the Company. The other is the increase in the cost of petroleum based products used in the paint industry and the higher excise duties levied on paints and varnishes, all of which will adversely affect our cost structure. The introduction of MODVAT in the paint industry has not provided the relief we expected from it. It will be our endeavour to bring these to the attention of the authorities in the hope of securing appropriate reliefs

Under the able leadership of Mr Vinod Krishna, Managing Director of your Company, substantial progress has been made in 1985. The results for 1985, in terms of turnover, volume of goods sold and quantum of profits, are the highest achieved by the Company. We now have a team poised to take the Company to greater heights. Organisational effectiveness is being enhanced to meet the challenges of the future. More



emphasis is being put on plant modernisation and quality improvement, recruitment, and training and development. It is the quality and dedication of people that makes an organisation. There is an increasing awareness that the Company's progress can only be achieved through innovative approaches and dedicated team work.

In the ultimate analysis, the real test lies in the market-place. I have no doubt that with the determination shown by your management team, together with carefully formulated marketing strategies, your Company will continue to make good progress.

During the year, the Board of your Company has undergone some changes. The Board has been strengthened by the addition of Mr.S.G. Mehta, who was appointed Additional Director from 16th October, 1985. The Company will greatly benefit from his wide experience and wise counsel.

Mr.C.P. Philipose, whole-time Director of the Company, retired from the services of the Company on 31st March, 1986. He had a long association with the Company. The Directors and I wish to place on record our sincere appreciation of the services rendered by him.

I take this opportunity to express our gratitude for the active support received from our associates in the U.K., Messrs. International Paint plc. Your Company continues to receive invaluable help and guidance from them in the area of product development. May I also express my warm thanks to my colleagues on the Board for their support and guidance

Before concluding, I am sure the shareholders will join me in conveying their appreciation and thanks to employees at various levels in the Company who have contributed to the successful results in 1985, and who are geared to meet the challenges of the future.

M.M SABHARWAL

NOTE : This does not purport to be a record of the proceedings of the Annual General Meeting.

PRESSMAN

UNITED STATES

Union Carbide divests again

■ Continuing its divestiture programme to offset its massive debts and to resist the takeover attempt by the predatory GAF Corp., the Connecticut (US)-based Union Carbide Corporation (UCC — sales: $9.50 billion or Rs. 11,400 crores in 1984) has sold its metals business for a total of $83 million (Rs. 99.6 crores).

The domestic tungsten and worldwide vanadium interests were bought by a group of employees headed by William Beattie, the former vice president of UCC's Umetco Minerals Corp.

The company s South African chromium business was purchased by UCC's joint venture partner in South Africa, General Mining Corporation.

The metals business sale has followed hard on the heels of the sale of UCC's home and automotive products division for $800 million (Rs. 960 crores) and its worldwide batteries division for $1.42 billion (Rs. 1,704 crores).

SOFT DRINKS

Cadbury's new plans

■ In accordance with the decision to concentrate on its international confectionery and soft drinks activities, the UK-based Cadbury Schweppes plc (sales: £1,837.8 million or Rs. 3,560 crores in the year ended 31st December 1985), is negotiating with the US-based RJR Nabisco Inc. for the purchase of the latter's Canada Dry and Sunkist soft drinks' operations at an estimated price of $200-300 million (Rs. 240-360 crores).

This acquisition is expected to increase Cadbury Schweppes' share in the highly competitive $30 billion a year US soft drinks market to over 5%, taking into account RJR Nabisco's 4.6% and Cadbury's 0.7% share at present. As a result of this deal, Cadbury Schweppes is also expected to get a 45% share of the US mixer drinks market.

JAPAN

Less productivity wanted

■ The Japanese government, concerned about increasing trade friction with the US and European countries following its mounting trade surplus, is tackling the problem in a unique manner. It has set up a think-tank called the Leisure Development Centre whose major objective, as the name suggests, is to get the Japanese worker to spend more time on leisure activities. This, according to Motoyuki Miyano, director of the centre, would bring down Japanese productivity and help reduce Japan's competitiveness in the world market, paving the way for better trade relations. The Japanese industry and the overall economy are also expected to benefit.

The centre, however, has a difficult task ahead of it, because of the Japanese worker's penchant for work. The average Japanese works 2,100 hours per year *cf.* the American average of 1,934 hours. Miyano and his hard-working staff hope to reduce the Japanese average working hours to 1,500 per year and to increase leisure time by almost 40%. At present, most workers take only 60% of their allotted vacation time.

UNITED STATES

Kodak's new venture

■ As a part of its diversification programme, the Rochester (US)-based photographic equipment giant Eastman Kodak Co. (sales: $10.63 billion or Rs. 12,757 crores in 1985) is diversifying into the manufacture of a new range of long-life lithium batteries and alkaline batteries.

The 9-volt lithium Ultralife battery, which will be the first such battery to be sold in the mass consumer market, has a shelf life of 10 years *cf.* three to four years for the conventional alkaline batteries and will be priced 70% higher than the latter. The alkaline batteries, to be marketed in five sizes under the brand name Supralife, will be manufactured according to Kodak specifications by the Matsushita Battery Industrial Co. in Japan, while Ultralife will be manufactured by Kodak.

UNITED STATES

Coke's centenary bash

■ It was called the greatest industrial show on earth — the spectacular four day centenary celebration in May of the Atlanta (US)-based soft drinks giant, Coca Cola Co. (CCC — sales: $8.13 billion in 1985 or Rs. 9,756 crores).

Merry-making in Atlanta were the company's 12,500 employees and bottlers who attended a black-tie buffet dinner and were entertained by 1,000 dancers. Also present were several school bands from all over USA, which participated in a two hour long, high-stepping, baton-twirling street parade.

Compared to the $2.03 billion (Rs. 2,436 crores) which CCC spent on advertising in 1985, the tab for the centenary extravaganza was almost embarrassingly modest: a mere $20 million (Rs. 24 crores).

AUTOMOBILES

Ford woos Alfa

■ Will Ford Motor Co. be third time lucky? In a bid to keep pace with accelerating competition in the European car markets, Ford (sales: $52.77 billion or Rs. 63,324 crores in 1985) has made two unsuccessful attempts to merge its European operations with that of well-known car manufacturers in Europe. First it approached Fiat spa, Italy. But in October 1985, after months of hectic negotiations, the talks broke down as the two were unable to decide as to who would steer the merged company. Then early this year, Ford tried to acquire the Austin Rover unit of BL plc, Britain. Again to no avail.

Now it is planning to acquire a majority stake in yet another Italian company, Alfa Romeo spa, which manufactures a range of sports cars. Reportedly, "substantial technological advantages and business opportunities" are expected to accrue to the Ford-Alfa Romeo combine if this deal comes through.

UNITED STATES

GM diversifies

■ The Detroit (US)-based automotive manufacturer, General Motors Corporation (GM — sales: $96.37 billion or Rs. 1,15,644 crores in 1985), the world's largest corporation, is launching a home mortgage service for its car loan customers in Michigan on an experimental basis within a few months. This is in line with GM's recent decision to expand and diversify its financial services business, to offset fluctuations in the automobile business.

The experiment will test, for the first time, whether GM is capable of selling its newly developed financial services to its 8 million car loan customers.

GM moved into the field of financial services in 1985, when it acquired, through its financial subsidiary General Motors Acceptance Corporation (GMAC), the mortgage servicing and related facilities of NorWest Mortgage Inc. and the mortgage banking and servicing companies of the Colonial Group. These services were combined into a new unit, GMAC Mortgage Corporation, which has in hand residential and commercial mortgages valued at about $22 billion (Rs. 26,400 crores). This unit will also handle the new home mortgage business

PEICO ELECTRONICS

Ambitious programme

Peico Electronics & Electricals Ltd. (formerly Philips India), the largest private sector electronics company in the country, has embarked upon an ambitious expansion programme.

The company, which is a market leader in lighting and consumer electronics, is expanding fast in the fields of professional electronics and electronic components. Its most modern consumer electronics plant set up at a cost of Rs. 10 crores at Salt Lake, Calcutta, has gone on stream. Also, a Rs. 12 crore project for the manufacture of professional electronic equipment is to be commissioned at Bangalore by the end of this year.

Besides, the company has chalked out an ambitious plan to market a wide range of domestic appliances and home and personal care products, manufactured by small sector units under the strict supervision of the company. The company's refrigerators, which will incorporate the most advanced technology, will be introduced in the market by the end of 1987.

Again, the company is soon expected to receive a licence to manufacture 50,000 colour television sets per annum. These television sets, which will be manufactured at the company's modern plant in Calcutta, will be marketed under the brand name PHX, Trendset.

At the same time, to further broadbase its operations, the company proposes to set up two joint sector projects for the manufacture of colour picture tubes and video cassette recorders at Andhra Pradesh and Karnataka respectively.

As a result of all these projects, the company's sales turnover, which was around Rs. 256 crores in 1985, will swiftly cross the Rs. 300 crore mark this year (1986) and is expected to reach the Rs. 1,000 crore milestone by 1990.

SUPREME INDUSTRIES

Encouraging performance

Supreme Industries Ltd., the Bombay-based plastics manufacturing company which had recorded excellent results in its year ended 30th June 1985 with a 65% increase in sales and a 119% spurt in profits, has fared quite well in the current year ending 30th June 1986.

If actual performance during the first 11 months (July 1985 to May 1986) is any indication, the sales turnover of the company will further increase to cross the Rs. 40 crore mark this year and profit at the gross level will shoot up further by about 40%.

In view of such an encouraging performance, the management, which has declared its intention to pay a minimum dividend of 15% for 1985-86 after the 4:5 bonus issue made last year, may be inclined to a dividend of at least 20% on the higher capital.

The company has meanwhile secured a letter of intent for the manufacture of ABS resin, an important raw material in the manufacture of plastics. It also proposes to set up a new plant for the manufacture of cross-linked polyethylene films in financial and technical collaboration with a well-known Swiss company.

MODELLA WOOLLENS

Bleak prospects

The shareholders of Modella Woollens Ltd., who have been denied a return on their investment for the last four years (the last dividend of 6% was paid for 1981), cannot expect any good news even in the current year ending 31st December 1986.

Though the company earned a small profit last year (1985) after incurring losses in the previous two years, the prospects for any further improvement in the current year are bleak in view of the political disturbances in Punjab.

The actual sales turnover in the first four months (January to April 1986) has been lower by 33% as compared to the corresponding period last year. If normalcy does not return to Punjab within a short time, the sales turnover during the whole year may reach just Rs. 10 crores *cf.* Rs. 13 crores in 1985. As a result, the company may again go into the red.

Companies this fortnight

(Rs. crores)

	Peico (year ending December)			Supreme Ind (year ending June)			Modella-Woollens (year ending December)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Sales	179.89	225.02	255.62	14.51	18.72	30.98	8.35	9.95	13.10
Gross profit	3.42	10.04	4.84	1.43	1.03	2.26	−0.39	−0.35	0.73
Paid-up capital	21.60	21.60	21.60	0.55	0.55	0.55	0.91	0.91	0.91
Reserves	37.50	37.90	48.50	2.34	2.41	3.30	0.27	0.22	3.35
Gross fixed assets	80.01	87.91	110.18	7.75	10.46	11.26	4.58	4.62	7.77
Dividend (%)	16.00	20.00	15.00	24.00	24.00	27.00	Nil	Nil	Nil
Earnings per share (Rs.)	0.80	2.15	1.41	104.00	37.00	209.00	−7.00	−7.18	4.76
Paid-up value (Rs.)	10.00	10.00	10.00	100.00	100.00	100.00	10.00	10.00	10.00
Market price as on 23rd May 1986 (Rs.)			54.00			950.00			12.50

NOCIL

Massive modernisation

The Bombay-based National Organic Chemical Industries Ltd. (NOCIL), India's oldest petrochemical company, has announced a massive Rs.1,300 crore modernisation programme for its plant at Thane. The company's plans include a substantial increase in the manufacturing capacities of its major products, *viz.* ethylene, propylene, butadiene, benzene and ethylene oxide.

NOCIL also plans to undertake the manufacture of polypropylene, styrene, polystyrene, styrene butadiene rubber and polybutanes. To finance this huge expansion programme, the company plans to issue rights shares and debentures, and also raise foreign currency loans. The Royal Dutch Shell group, the world's largest petrochemicals producer, is willing to increase its equity stake from 33% at present to 40%.

SPECIAL STEELS

Impressive results

Special Steels Ltd., the Bombay-based Tata group company which *inter alia* manufactures steel wires and steel wire rods, has recorded impressive working results in its year ended 31st December 1985. Sales turnover has shot up by 65% to Rs.108 crores *cf.* Rs.65.32 crores in the previous year, and the company has recorded a net profit of Rs.6.02 crores *cf.* a loss of Rs.2.80 crores in 1984. However, for the fifth year in succession, the company's board of directors has skipped the payment of equity dividend.

WESTON ELECTRONIKS

Dividend hike

Weston Electroniks Ltd., the New Delhi-based company which manufactures a range of electronic entertainment equipment such as tape recorders, television sets and radios, has announced its financial results for the year ended 31st October 1985. The company has recorded a sales turnover of Rs.79.19 crores (Rs.49.82 crores in the previous 10-month 'year') and the gross profit is Rs.1.32 crores (Rs.93.40 lakhs in the previous 'year'). The company's board of directors has recommended an equity dividend of 18% (16% last 'year').

BAJAJ PLASTICS

Excellent results

Bajaj Plastics Ltd. has recorded excellent results in its financial year ended 31st December 1985. The sales turnover of this Nagpur-based company which manufactures plastic fabrics and synthetic resins has nearly doubled to Rs.22.87 crores from Rs.11.69 crores in the previous year. Moreover, gross profit has spurted by a whopping 285% to Rs.6.19 crores from Rs.1.61 crores in the preceding year. Not surprisingly, the company's board of directors has stepped up the equity dividend to 30% *cf.* 20% in 1984. In addition, a bonus issue in the ratio of 1:1 has also been recommended.

SAMTEL (INDIA)

Maiden dividend

The New Delhi-based Samtel (India) Ltd., manufacturer of picture tubes for black and white television sets, has declared a maiden dividend of 22% for the 17-month period ended 31st December 1985. The sales turnover during this period was Rs.27.11 crores, while gross profit was Rs.4.92 crores.

Meanwhile, the company is performing well during the current year with the sales turnover for the period January-April 28% higher than in the corresponding period of 1985. The company has trebled the capacity of its black and white picture tubes manufacturing plant to 15 lakh units from five lakh units. It now plans to set-up a Rs.62 crore project for the manufacture of 5 lakh colour picture tubes annually, in technical collaboration with Mitsubishi Electric Corporation, Japan. A new company, Samtel Colour Ltd., is being promoted for this purpose.

A.T. CROSS CO.

Passage to India

The world famous Cross ball pens will now be manufactured in India by a Bombay-based small-scale unit, Chandra Industries, the makers of Colo sketch pens, fountain and ball pens and other writing instruments. The company is to undertake the manufacture of Cross pens in technical collaboration with A.T. Cross Co.,

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
ASEA	E & NCD	9th June	3.6	Upgrading technology and expansion
Key Leasing	E	9th June	1.2	Long term working capital requirements
G.G.T.Kaypee	E	9th June	0.5	Working capital requirements
Salstar Foods & Beverages	E	11th June	0.9	Working capital requirements
Klocknor Windsor India	E & NCD	11th June	2.1	Expansion and modernisation
Sanathana Dharma Gurukulam	E	11th June	2.4	Working capital requirements
Narmada Aluminium Extrusion	E	12th June	0.75	Working capital requirements
Visa Polycrete	E	12th June	0.68	Part financing polymer concrete project
Coastal Trawlers	E	16th June	0.59	Long term working capital
Advani Oerlikon	E & NCD	16th June	8.96	Diversification and modernisation

E=Equity, face value Rs.10 *NCD=Non-convertible debentures, value Rs.100*

which is based in Rhode Islands, USA. This will make India the third country to manufacture the sophisticated Cross products, the other two being the US and Ireland.

Known as the Rolls Royce of ball pens in trade circles, Cross ball pens were first manufactured in 1846. Each unit reportedly undergoes more than 100 production steps, and finally emerges as a finely crafted piece with a lifelong guarantee against mechanical failure. Chandra Industries plans to manufacture 1 lakh Cross pens in the first year, going up to 3 lakh units in the third. The price range: Rs 120 to Rs.400 per pen.

MOTOR INDUSTRIES

Enhanced capacities

Motor Industries Co. Ltd. (MICO), the Bangalore-based manufacturer of spark plugs and fuel injection equipment is all set to expand its operations in a big way. The licensed capacity for most of its products has been enhanced by 20%-24%. The company has also received government sanction for its plan to raise the production of glow plugs at its Bangalore factory from 2.50 lakh units to 6.52 lakh units per annum. MICO has also received a letter of intent to increase the production of multi-cylinder fuel injection pumps and nozzle holders being manufactured at its Nasik factory.

MICO will also manufacture thermal energy method machines under licence from Robert Bosch GmbH, its current technical and financial collaborator.

AWARDS

Tata honoured

Prominent Indian industrialist JRD Tata, who was chairman of India's largest private sector steel producing enterprise, the Tata Iron & Steel Co. Ltd. (TISCO) for 46 years, has been awarded the prestigious Bessemer Gold Medal for 1986 by the London-based Institute of Metals. Tata was awarded the medal for his outstanding contributions to the iron and steel industry and for his distinguished leadership of several companies.

Tata, who is chairman of Tata Sons Ltd. and a member of the board of TISCO, is perhaps the first Indian to receive this honour. The Bessemer Gold medal is presented every year in recognition of special achievements in the manufacture of iron and steel.

PEOPLE & PLACEMENTS

J.C. GUPTA has been appointed director (technical) of Western Coalfields Ltd.





M.L. SHARMA has taken over as director (finance) of the Hindustan Fertiliser Corporation Ltd.

V.N. MECKONI has been appointed director of Otoklin Plants & Equipments Ltd





D.B. DESHMUKH has been appointed president of BMD Foundry Machinery Ltd.

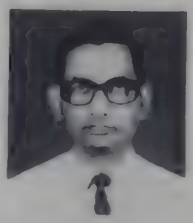
L.C. GOEL has been appointed executive director of Steel Tubes of India Ltd





P.V.R.N. IYER has been elected vice president of the All India Management Association, New Delhi.

P.N. SINGH has been elected president of the Indian Society for Training and Development





M.R. SUNDARAM has been elected chairman of the Association of Indian Engineering Industry (eastern region) for 1986-87.

K. RANGARAJAN has been appointed managing director of Multi Projects & Development Consultancy Pvt. Ltd., Bangalore.





N. SRIRAM has taken charge as general manager (planning) of the State Bank of India (Madras circle).

H.R. ALVA has been elected president of the National Institute of Personnel Management, Calcutta, for 1986-87.





L. LAKSHMAN has been elected president of the Automotive Component Manufacturers Association of India.

S.P. SETHI has been elected president of the Meerut Management Association.





SURENDRA K. BIRLA has been elected president of the Eastern India Textile Mills' Association for 1986.

Portfolios bounce back

It took just one week of enthusiastic trading on the stockmarkets, from 26th May to 30th May, to put equity shares back on the bounce in the major stock exchanges in the country. As a result, the *BusinessWorld* portfolios monitored on this page, which had suffered sharp declines in their values from the middle of April after having made a recovery from the post-budget falls, were restored on 30th May to far more respectable aggregate values compared to only a fortnight before (16th May) when they were previously monitored (*BW* May 26-June 8,p.103).

In the wake of the recent upsurge in equity values, the market quotations (30th May) of all but two of the portfolio scrips have been restored to their purchase prices and in some cases have acquired a small edge over them. This return to the *status quo ante* may be a small consolation for the investor, but in view of the fact that most of the scrips were being quoted at their highest levels at the time the *BW* portfolios were reconstituted, the quick return to their respective former highs is encouraging.

Several of the front-ranking scrips on the Bombay stock exchange have not yet regained their former high levels, nor has the 'sensitive index' of equity prices compiled by this stock exchange recorded its previous high. Compared to the pre-budget peak of 664.54 it had attained,

'In the wake of the recent upsurge in equity values, the market quotations (30th May) of all but two of the portfolio scrips have been restored to their purchase prices and in some cases have acquired a small edge over them'

this index was still low at 625.04 on 30th May. It is therefore a safe surmise that the portfolio scrips which have gained a lead over several of the eagerly sought after scrips on the market will appreciate significantly during the current wave of buying activity in the market, which from all appearances is here to stay.

Enlarged scope. Activity in the stockmarket picked up at the close of last month for several reasons. First, the decision of the Bombay stock exchange authorities to transfer 14 non-specified scrips to the specified list, thereby enlarging the scope for buyers to make speculative purchases, has buoyed the mood of marketmen. Secondly, as weather forecasts have indicated that the monsoons will be bang on schedule this year, anxiety on this score has evaporated.

The announcement made by the Union government on 28th May to make the granting of industrial licences in respect of 65 product groups contingent upon the installation of a minimum productive capacity in these industries, was also a major factor which boosted market sentiment because it indicated a complete and radical break from the previous approach to licensing. The industries covered under the announcement included synthetic fibres, chemicals, drugs, electronics, automotive vehicles and sugar. The government also announced that more industries would be added to this list in the future.

Indeed, the full impact of these positive factors are yet to be manifested, and thus, it is more than likely that the two laggard scrips in the *BW* portfolio, *viz.* Samtel and Garware Marine, will recover to their pre-budget values and also appreciate above them in the near future. This conclusion is strengthened by the fact that Samtel Ltd., which announced a 20% maiden dividend and a rights equity issue at par to the shareholders recently, has restored the faith of buyers in its management. According to a company release, the funds raised from the market will be used to finance its expansion plans. The growth prospects for the company are therefore bright, the recent increase in the rate of excise duties on television receiver sets notwithstanding.

Revival package. Similarly, Garware Marine's scrip will also benefit from the government's decision to implement a package of measures which are designed to revive the recession-bound shipping industry in the country. The extent of the assistance to this industry has not yet been announced, but the package is unlikely to be delayed for long.

This perception is undoubtedly shared by the Unit Trust of India, which has of late been systematically buying another shipping company's shares, *viz.* Great Eastern Shipping. Thus it is only a matter of time before this institution starts buying other shipping shares.

Given such a background, it is now only a matter of time before the *BW* portfolios realise their true potential

Artymon

PORTFOLIO A
For steady income

	Yield*	No. of shares	Purchase price	Amount invested	Market value 16th May 1986	Market value 30th May 1986
IDL Chemicals	4.0%	20	65	1,300	1,550**	1,500**
Garware Marine	3.0%	100	25	2,500	1,650**	1,650**
Larsen & Toubro	1.5%	20	189	3,780	3,664**	3,884**
Garware Polyester	1.9%	50	97	4,850	4,225	4,750
Hindustan Lever	1.6%	50	152	7,600	7,350	7,630**
Total investment and market value				20,030	18,439	19,414

*Based on last recommended dividend. **Includes dividend income.

PORTFOLIO B
For capital appreciation

	No. of shares	Purchase price	Amount invested	Market value 16th May 1986	Market value 30th May 1986
Samtel	50	195	9,750	6,500	7,187.50
Larsen & Toubro	30	189	5,670	5,496*	5,826*
MICO	5	745	3,725	4,000	4,500**
Total investment and market value			19,145	15,996	17,513.50

* Includes dividend income.



GKW'S MULTI-PRONGED THRUST TOWARDS LARGER VOLUME, SUPERIOR QUALITY, LOWER COSTS AND HIGH TECHNOLOGY

Excerpts from the statement made by Mr K B Lall, Chairman, on the occasion of the Fifty-sixth Annual General Meeting of Guest Keen Williams Limited held in Calcutta on 30th May, 1986.

When we met last year we had viewed the future with a sense of cautious optimism. Regrettably, our travails are not behind us yet. Despite our best efforts, we could not avoid a deficit at the close of the year. I share and appreciate your concern

A few general observations may be offered at the outset. First, an indepth analysis of operating results shows that the principal activities in major business areas have yielded an overall profit

Second, when performance is viewed from month to month, the trend over successive quarters is found to be heartening. A substantial level of loss generation during the first half of 1985 changed rapidly into a profit position during the second half of the year.

Third, the toll taken by finance charges has risen over the years from rupees four crores in 1981 to nearly rupees nine crores in 1985. For about the same volume of inventory, the cost of capital borrowed to finance it has increased by 24%. Lowering it must be a matter of wider concern for it contributes significantly to the high cost of industrial production in the country.

Fourth, as manufacturers of intermediate products your company finds itself financially pressed by the insistence of suppliers of primary materials and services for prompt payment and the resistance on the part of its customers to credit limits. Because of severe stringencies in liquidity, even reputed customers of long standing have experienced difficulty in honouring their commitments on time. Measures to relax cash constraints on productive activity, I trust, are engaging the attention of the banking community.

The focus of management action over recent years has been on resolving the chronic problems encountered in our Works in Eastern India. The experience gained and the results obtained hold promise for the future.

In the Steel Division substantial increases in throughput have been achieved. This has been the result of successful improvements in production processes. The success secured in stepping up and sustaining quality standards has been gratifying. Manufacturing costs have been trimmed in significant measure. But the recent increases in fiscal levies on inputs have wiped off the gains and threaten to push the threshold of profitability beyond our immediate reach. In the expectation that representations to concerned authorities in this regard will evoke a constructive response, an integrated plan has been developed to further push up productivity, enhance quality and lower costs. **We are convinced that soft loans for timely investment in technological upgradation and supportive fiscal action to reduce input costs will enable the alloy steel industry to meet the nation's rising requirements at reasonable prices.**

In the Bolt & Nut Division a sum of rupees three crores has been invested in installing current generation high speed boltmakers. Their high volume production runs will make it possible to curtail costs provided overmanning is contained within tolerable limits. As the newly installed galvanising plant becomes operational, the Division will succeed in stepping up the quality of galvanised bolts and nuts to world standards and raising output to meet the needs of the transmission tower industry at home and abroad. Our focus in 1986 will be on realising possibilities and optimising utilisation for increasing the quantity and upgrading the quality of high tensile and other speciality products. **The aim is to turn the Bolt & Nut Division around as soon as possible.**

Last year I had occasion to refer to Government's changing attitude towards industrial sickness. For more than a decade a substantial scale of management effort has been devoted to making the Forgings Division a viable operation. In the face of mounting losses we had to bow to the inevitable last year. As you are all aware an agreement for the sale of this Division as a going concern was concluded. This is the best arrangement we could make to protect the interests of the work force. Unfortunately a combination of internal and external forces succeeded in frustrating it. The agreement had to be rescinded early this year. It is generally agreed that your Company is in no position to revive this loss making activity. Any weakening of the resolve in this regard could only jeopardise the effort to turn around the manufacturing operations at Andul Road.

The multi-pronged thrust towards larger volume, superior quality and lower costs is beginning to yield concrete results. These would not have been possible without dependable improvement in the supply of power by the public utility authorities. We are hoping it would be possible to consolidate this improvement and ease the remaining restrictions. We look forward to further support from the State Government and from the Government of India in implementing our programmes to make our manufacturing operations more cost effective. For the success of these programmes, complete understanding on the part of the workers and their leaders is essential. We believe this will continue to be forthcoming in full measure.

It is depressing to record that at this crucial juncture adverse developments in the business areas served by our Works in Bhandup and Kanhe forced us to curtail the volume of profit yielding operations in the Western Region. Customers in the electrical equipment industry found themselves confronted with serious shortage of cash resources. The automotive industry, particularly the commercial vehicle sector, has been encountering heavy demand recession.

We are not daunted by the temporary set back in the Sankey Pressings Division's fortunes. We expect that the business areas serviced will soon recover their momentum. We do not therefore propose to relax our continuing effort to maintain our leadership in terms of

quality and costs. We are currently working out a comprehensive strategy to link the indigenous availability of cold rolled silicon steel in coil form with emerging business opportunities for special configuration laminations.

Credit had been claimed last year for taking the decision at a time of acute depression to invest a large amount in setting up a versatile press shop at Kanhe. We have since taken advantage of a new opportunity to extend its product and customer range. A working relationship has also been developed with Fuji Tool & Die, well known all over the world for their specialisation in the manufacture of press tools for the automotive industry. **This will enhance the Division's technical skills and design capabilities enabling it to move towards new frontiers of computer aided design and manufacture, and consolidate its status as the largest independent supplier of metal pressings in the country.**

The Screws & Fasteners Division have maintained their traditional contribution due to their focus on productivity and customer satisfaction. They are now addressing themselves more vigorously to product development. The concept of franchising technology is being explored. The first step in ancillarisation has been taken and a fresh look is being given to a higher degree of participation in the export effort.

I cannot recall another year in our young Republic's history in which so much has happened in the economic field as in 1985. The Seventh Plan sets up ambitious targets for industry in the private and public sectors to achieve. Conscious attempts are being made to stimulate individual initiatives and foster the spirit of enterprise. The regulatory system is being simplified and reoriented towards development goals. Market forces are being freed from cramping controls to generate healthy competition. Industrial production is sought to be enriched through liberal imports of technology and contemporaneous equipment.

Fresh winds are blowing to alter attitudes to cost, quality and consumer preferences. Fiscal, financial and commercial policies are being revamped to foster economic efficiency. The Revenue authorities are trying to increase revenue collection by reducing tax levels and secure better tax compliance by simplifying procedures. **Change is in the air but the quality of its management leaves much to be desired.** Smooth execution of imaginative concepts require skilful diligence and team work on the part of all the participants in the process. Fortunately there is a growing convergence in perceptions, approaches and goals between Industry and Administration. The present conjuncture is propitious for developing new machanisms to promote fruitful interaction between them. **The time is ripe for launching a movement to promote mutual understanding, trust and appreciation between the policy maker and the entrepreneur, between the administrator and the corporate manager. As this movement gathers momentum and develops inner strength, so will the stature of industry in our national economy rise to the level attained by it in highly industrialised economies.**

Your Directors are conscious of their responsibility to ensure that your company's contribution to industrial transformation is in keeping with its reputation and role in the engineering sector. However, the pressure on your company's profits in recent years, arising from a combination of rising input costs with stagnating demand for their products, limits their options. Having realistically recognised the difficulty of generating, adequate financial resources internally, they have assiduously sought to involve State Industrial Corporations and reputed manufacturers from abroad as their partners in new joint ventures. **By pursuing this route, your company is acquiring valuable stakes in high-tech enterprises with adequate managerial and technical control.**

In close consultation with GKN, plans have been formulated to manufacture constant velocity joints for the automotive industry. Ground is being freshly broken at Dharuhera, situated in a backward area of Northern India. **Our partners will transfer the latest driveline technology and jointly we shall build a plant to supply constant velocity joints to vehicle manufacturers and generate the impulse for the vehicular industry to launch itself into the front wheel drive era.**

In our joint venture with the West Bengal Electronics Industry Development Corporation at Salt Lake we have plans to instal a range of equipment, many of them numerically controlled, covering the whole gamut of precision machining. **This enterprise will place us in the forefront of tool room technology and give significant support to the nascent electronics industry.** In the projects that take us into the electronics and telecommunications sectors we have narrowed down the technology sources from amongst internationally accepted names in Western Europe and the terms of technology transfer are at advanced stages of negotiation.

Your Company faced tremendous odds during the course of 1985. A number of unfavourable circumstances conspired to defeat the effort to win a modest return. The recommendation to skip a dividend is unpalatable at the best of times. But I seek your support for it in the conviction that a series of steps have been taken to enhance the potential for making profits in the coming years.

An eminent management consultant has been commissioned to carry out an organisational review. The process of identifying strengths and weaknesses has been completed and recommendations are being finalised. We soon expect to be in a position to change some of our systems and structures so as to quicken our response to the market place and provide for more effective and efficient management of current and future operations.

In all our efforts to emerge strengthened from our recent trials and tribulations we have had unstinted support from our principal shareholder and technology partner, Guest Keen & Nettlefolds. Their own successful experiences with modernisation and restructuring have served to influence our choices. Equally whole-hearted has been the interest taken by the financial institutions in our plans to diversify and modernise. Your continuing confidence in the company's future has been a source of strength. No less reassuring has been the unflinching manner in which your company's employees have faced a difficult situation: they have demonstrated a commendable degree of professionalism in successfully overcoming unexpected problems. I am sure you would wish me to place on record your appreciation of their sustained endeavours.

(This does not purport to be a report of the proceedings of the Annual General Meeting.)



Cheerful trend

Equities on the stock exchanges zoomed upwards because of sustained speculative support and institutional buying of select scrips during the fortnight ended 30th May. The generally bullish trend was attributed in the main to the Union government's decision to fix minimum productive capacities for 65 industries. The Bombay stock exchange authorities' decision to transfer 14 scrips from the non-cleared to the cleared securities list also aided the cheerful trend. As a consequence, some blue-chip scrips such as Gujarat Fertilisers, Bajaj Auto and Orkay scaled new peaks.

Reflecting the buoyant trend in equities, *The Economic Times* index of ordinary shares (1969-70 = 100) gained 7.40% to close at 524.9 during the fortnight under review. Likewise, the *Financial Express* equity index (1979 = 100) moved up from 334.86 on 19th May to 358.27 on 30th May — a rise of 6.50%.

The highlight of the trading during the fortnight was the runaway appreciation in the value of Gujarat Fertilisers which closed Rs. 305 (21.25%) higher, to scale an all time high of Rs. 1,740. This upsurge in the demand for the scrip was attributed to reports that the company is going ahead with its massive expansion programme and also to expectations that a sub-division of the company's Rs. 100 paid up share into shares of Rs. 10 each would be made very shortly.

In keeping with the general trend, engineering equities were also in the limelight on higher advices from Calcutta. Consequently, the *ET* index for these scrips rose by 7.88% to 934.6 during the fortnight. Man-made fibre equities too gained further ground on speculative support with hectic bear covering. As a result, the *ET* index for these scrips moved up by 11% to 872.1.

"Equities are likely to remain firm because of the Union government's pragmatic industrial policy. The government's decision to permit 65 industries in six sectors to increase their capacities to economic scales and the stipulation that new units will not be allowed to set up capacities below these levels is welcome, as it is certain to increase both production and exports. Besides, non-resident Indians are taking a keen interest in Indian equities and debentures, which has helped to boost the morale of the market. Institutional investors are also reported to have turned active buyers, which has also generated confidence among small investors," observes R. Sankaran, the newly appointed chief of the merchant banking division of the Standard Chartered Bank.

S. Dhruv

BOMBAY

Name/Industries	1985 Price range High (Rs.)	Low (Rs.)	Dividend per share (Rs.)	Opening 19-5-86 (Rs.)	Closing 30-5-86 (Rs.)	Yield %
1	2	3	4	5	6	7
Textiles						
Baroda Rayon (100)	500 00	282 00	15 00	370 00	360 00	4.2
Bombay Dyeing (25)	156 00	63 00	1 75*	115 00	105 00	1 7
Century Spg (100)	1530 00	806 00	24 00*	1260 00	840 00	2 9
Century Enka (100)	1240 00	600 00	34 00	1000 00	1020 00	3 3
Garware Nylon (10)	64 00	24 50	1 80	41 50	49 00	3.7
Gwalior Rayon (10)	88 00	53 50	2 20	73 50	81 00	2 7
Indian Rayon (10)	144 00	65 00	2 40	123 00	134 50	1.8
JK Synthetics (10)	118 00	51 70	1 50	104 50	116 00	1.3
Mafatlal Ind (125)	400 00	235 00	22 00	387 50	386 25	5 7
Nirlon (10)	73 00	37 00	2 25*	49 00	46 00	4 9
Reliance Ind (10)	252 00	121 00	4 00	370 00	370 00	1 1
S I Viscose (100)	285 00	170 00	15 00	225 00	225 00	6 7
Standard Mills (100)	475 00	272 00	12 00	392 50	485 00	2 5
Paper						
Andhra Pradesh (100)	195 00	160 00	20 00	160 00	160 00	12.5
Ballarpur (10)	68 00	43 00	2 20*	55 00	58 00	3.8
Bhadrachalam (10)	36 00	20 50	N A	28 00	31 00	
Jayant Paper (10)	28 00	13 50	2 00	17 00	17 00	11.8
Orient Paper (10)	101 00	59 00	2 00	82 50	81 50	2.5
Steel						
Mukand (10)	54 00	21 75	N A	46 00	47 00	
Tata Steel (100)	1255 00	379 50	21 00	1287 50	1320 00	1.6
Zenith Steel (10)	78 00	27 50	2 50	76 00	77 00	3.2
Metal & Alloys						
Bihar Alloys (10)	26 00	8 25	N A	20 00	20 50	
Ferro Alloys (100)	275 00	125 00	12 50	285 00	265 00	4.7
Hindustan Alum (10)	94 00	51 00	1 35*	81 00	83 00	1.6
Mahindra Ugine (10)	49 00	27 00	N A	30 00	29 00	
Engineering						
Antifric Bearings (10)	50 00	21 50	1 40	20 00	20 50	6.8
Associated Bearing (100)	800 00	435 00	20 00	705 00	695 00	2 9
Atlas Copco (10)	72 00	35 00	1 20	70 00	75 00	1 6
Bharat Forge (10)	90 00	29 00	1 80*	58 00	60 00	3.0
Bharat Gears (10)	60 00	27 50	1 80	35 00	32 00	5 6
Blue Star (10)	92 50	32 50	2 00	85 00	86 25	2 3
Elecon (10)	108 00	54 50	1 70	92 00	86 00	2.0
Greaves Cotton (100)	350 00	202 50	17 00*	275 00	275 00	6 2
Hind Lever (10)	128 00	50 75	2 40	147 50	151 00	1 6
Ingersoll Rand (10)	365 00	159 00	3 50	400 00	400 00	0 9
KEC Int (10)	40 00	24 00	1 25	21 00	20 00	6 3
Kinetic Engg (10)	360 00	128 00	2 50	102 50	305 00	0 8
Kirloskar Cummins (100)	753 50	500 00	15 00	510 00	520 00	2 9
Kirloskar Oil (10)	36 00	19 50	1.25	17.00	17.50	7.1
Larsen & Toubro (10)	193 00	72 00	2.40	182.00	190.00	1.3
Mahindra & Mahindra (10)	102 00	47 50	1 80*	59 00	59 50	3.0
Otis Elevator (10)	215 00	85 00	2 50	105 00	109 00	2.3
Premier Auto (100)	650 00	310 00	21 00	742 50	795 00	2 6
Pressure Cookers (10)	49 00	25 00	1 90	36 00	35 00	5.4
Tata Engg (100)	1030 00	406 00	23 00	620 00	645 00	3.6
Voltas (100)	470 00	358 00	10 00*	230 00	230.00	4.3
Automobiles						
Bajaj Auto (100)	2075.00	856.00	30 00	2540 00	2800 00	1 1
Bajaj Tempo (10)	280 00	143 00	2 50	107 50	105 00	2.4
Escorts (10)	102 00	45 75	2 20	92 00	97 00	2.3
Motor Industries (100)	815 00	321 25	15 00	800 00	800.50	1.8
Cables & Electricals						
Asian Cables (100)	215 00	112 50	10 00	175.00	175.00	5.7
Bajaj Electricals (100)	340 00	115 00	20 00*	540 00	725 00	3.8
Bharat Bijlee (100)	300 00	105 00	16 00	420 00	420 00	3.8
Crompton Greaves (100)	350 00	257 50	10 00	280 00	240 00	4.2
Peico Electronics (10)	103 00	38 50	2 00	50 00	58 00	3.4
Siemens India (10)	87 50	38 00	1 40	74.00	78.00	1.8
Dyes & Chemicals						
Amar Dye-Chem (100)	95 00	62 50	12 00*	45.00	42.50	28.2
Bayer (100)	480 00	320 00	18 00	540 00	525 00	3.4
I E L Ltd (10)	80 00	32 70	2 00	63.00	69 00	2.9
Colour Chem (100)	335 00	185 00	12 00*	267 50	267 50	4.5
Cynamid (10)	80 00	35 00	25 00*	62 50	67.50	37.0
Glaxo (10)	75 00	23 75	1 80	70 00	69 00	2.6
G S F C (100)	895 00	534 00	24.00	1435.00	1695.00	1.4
Herdillia Chem (10)	67 00	25 50	1.80	43.00	44 00	4.1
Mafatlal Dyes (10)	33 00	23.50	1.70	24.00	26.50	6.4
Mangalore Chem (10)	50 00	19 50	N A.	47.00	54.00	
Indian Dyestuffs (100)	390 00	267 50	16 00	277.50	290.00	5.5
Indian Organic (10)	141 00	50 25	18 00*	67.00	79 50	22.6
Pfizer (10)	100.00	39.00	2 00	97.00	100 00	2.0
Polychem (50)	181 00	60 00	10.00	107.50	105 50	9.5
Sandoz (10)	80 00	31 00	1.40	72 00	93 00	1.5
Sandvik Asia (100)	575.00	340 00	10.00	600 00	590 00	1.7
Tata Chem. (10)	155 00	64.50	2.50	190 00	113.50	2.2
Warner Hind (10)	75 00	36 00	2.50*	72 50	75.00	3.3
Zuari Agro (10)	94.00	46.00	2.25*	90.00	95.00	2.4
Shipping						
Chowgule (10)	16.50	5.00	N.A.	7.75	7.50	
Great Eastern (10)	34.00	14.25	0.70	23.00	26.50	2.6
Scindia (20)	21.50	7.00	N.A.	8.60	10.25	

BOMBAY

Name/Industries	1985 Price range High	Low	Dividend per share	Opening 19-5-86	Closing 30-5-86	Yield
1	2 (Rs.)	3 (Rs.)	4 (Rs.)	5 (Rs.)	6 (Rs.)	7 %
Cement						
A C C (100)	610.00	380.00	20.00	243.00	279.00	7.2
Digvijay Cement (100)	230.00	110.00	20.00	180.00	180.00	11.1
Mysore Cement (10)	48.00	30.00	1.75	27.00	28.00	6.3
Raasi Cement (10)	60.00	31.00	1.80	30.00	29.00	6.2
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	200.00	202.50	7.9
Blow Plast (10)	122.00	44.00	2.50*	109.00	110.00	2.3
Colgate (10)	318.00	143.50	7.00*	220.00	265.00	2.6
East India Hotels (10)	53.00	25.50	2.00	46.00	46.00	4.3
Garware Marine (10)	33.00	14.00	1.40*	15.00	15.00	9.3
Gujarat Alkali (10)	65.00	38.00	2.50	62.00	69.00	3.6
Harri Malayalam (10)	76.00	38.00	2.50	44.00	45.50	5.5
Indian Hotels (10)	135.00	77.00	2.50	125.00	127.50	2.0
I.T.C. (10)	59.80	29.00	2.25	66.00	68.50	3.3
Lohia Machine (10)	85.00	43.50	2.00	53.00	50.50	3.0
Ponds (10)	218.00	103.00	4.50	245.00	250.00	1.8
VST Ind (10)	38.50	21.00	2.30	27.00	27.50	8.4
Wimco (10)	71.00	38.50	2.00	58.50	61.00	3.3

CALCUTTA

Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	14.50	15.00	6.7
J. K. Cotton (10)	64.00	18.00	1.20*	64.00	67.00	1.8
Kesoram Ind (10)	85.00	52.00	2.35	69.00	73.00	3.2
Jute						
Birla Jute (10)	105.00	51.50	1.85	49.50	50.25	3.6
Reliance (10)	—	—	1.75*	48.00	48.00	3.6
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	90.00	100.00	2.2
Indian Oxygen (10)	66.30	42.75	2.00*	52.50	55.00	3.6
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	20.75	20.75	7.2
Guest Keen (10)	35.25	20.00	0.50	17.20	20.25	2.5
India Foils (10)	78.00	38.75	2.00*	69.00	75.25	2.7
Macneil Magor (10)	250.00	127.00	12.00	33.00	33.00	3.6
Metal Box (10)	25.00	11.50	0.80*	18.00	18.10	4.4
Union Carbide (10)	38.00	16.75	0.50	24.00	26.50	1.9
Usha Martin (10)	48.00	26.00	1.60*	33.00	33.50	4.8
Tea						
Basmatia (10)	44.75	35.25	3.00	20.50	32.00	9.4
Brooke Bond (10)	83.00	46.50	2.50	82.50	86.00	2.9
Tata Tea (10)	177.00	64.00	5.00*	72.25	77.00	6.5
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	103.00	111.00	1.6
Davy Ashmore (10)	30.00	18.25	1.50*	17.50	15.50	9.7
English Elec (10)	114.00	70.00	3.50	120.00	117.00	3.0
Hindustan Motors (10)	127.00	37.10	2.00	48.60	50.70	3.9
Remington Rand (10)	80.00	36.50	2.00	35.25	34.50	5.8
Uni Cables (10)	65.00	26.50	1.50	72.50	75.00	2.0

DELHI

Amrit Banaspati (10)	48.00	15.00	1.20*	35.00	32.50	3.7
D C M (25)	82.00	48.25	3.75	38.00	37.50	10.0
Escorts (10)	102.00	45.75	2.20*	94.00	102.00	2.2
Goetze India (10)	61.00	21.00	1.80*	48.00	46.00	3.9
Jagatjit Cotton (10)	—	—	1.40*	75.00	70.00	2.0
Kelvinator (10)	105.00	49.00	1.60	68.00	74.00	2.2
Modi Industries (10)	87.00	16.50	1.80	39.00	39.00	4.6
Prakash Tubes (10)	24.50	18.00	1.50	23.00	22.00	6.8

AHMEDABAD

Anil Starch (100)	225.00	147.00	18.00	200.00	200.00	9.0
Aruna (100)	200.00	105.00	15.00*	135.00	155.00	9.7
Atul Prod. (100)	667.00	311.50	20.00	461.00	460.00	4.3
Bharat Vijay (100)	255.00	167.50	10.00	180.00	183.00	5.5
Calico (125)	235.00	108.00	N.A.	109.50	110.00	
Cellulose Prod. (100)	—	—	8.00*	90.00	90.00	8.9
Guj. Steel (100)	300.00	140.00	15.00	215.00	220.00	6.8
Mafatlal Ind. (100)	390.00	235.00	22.00	412.00	430.00	5.1
Vallabh Glass (100)	275.00	105.00	22.00*	105.00	105.00	21.0

MADRAS

Aluminium Ind. (10)	17.00	5.00	1.50*	7.25	8.00	18.8
Amrutanjan (10)	—	—	3.50	110.00	110.00	3.2
Andhra Cement (10)	—	—	1.50	19.00	24.50	6.1
Ashok Leyland (10)	58.00	25.00	1.80*	27.50	51.00	3.9
Enfield India (10)	101.00	45.00	2.00	51.50	51.00	3.9
Indian Cement (10)	46.00	20.00	2.00	27.00	26.00	7.7
Kothari Ind (10)	34.50	19.00	1.20*	15.00	16.00	7.5
Madura Coats (10)	69.00	27.25	2.50	55.00	67.00	3.7
Mysore Lamps (10)	84.00	40.00	2.50	57.00	57.00	4.4
Textool (100)	265.00	182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 19th May and 30th May
Arvind(100)	+ 105.00
ACC(100)	+ 1.50
Andhra Cement(10)	+ 1.50
Ashok Leyland(10)	+ 1.50
Ambalal Sarabhai(10)	+ 0.50
Bata(10)	+ 3.25
Birla Jute(10)	+ 1.50
Century Spinning(100)	+ 40.00
Dunlop(10)	+ 5.00
Escorts(10)	+ 10.00
Garware Nylon(10)	+ 1.50
Garware Plastics(10)	+ 7.00
Guj Alkalies(10)	+ 8.00
GNFC(10)	+ 4.25
GSFC(100)	+ 305.00
Gwalior Rayon(10)	+ 4.50
Hind Alu(10)	+ 4.00
Hind Lever(10)	+ 4.00
Hind Motor(10)	+ 2.00
Ind. Dyestuff(100)	+ 12.50
Ind. Organics(10)	+ 17.00
Ind. Rayon(10)	+ 9.50
ITC(10)	+ 3.50
JK Synthetics(10)	+ 11.00
Larsen & Toubro(10)	+ 9.00
Metal Box(10)	+ 1.50
Modi Rubber(10)	+ 3.00
Mukand(10)	+ 1.00
Mangalore Chemicals(10)	+ 7.50
May & Baker(10)	+ 5.00
MICO(100)	+ 90.00
NOCIL(100)	+ 50.00
Orkay(10)	+ 17.00
Oswal Agro(10)	+ 25.00
Otis(10)	+ 8.00
Pr. Auto(100)	+ 85.00
Scindia(20)	+ 5.00
SPIC(10)	+ 9.50
Standard Mills(100)	+ 55.00
Tata Chemicals(10)	+ 2.50
TELCO(100)	+ 35.00
Tata Oil(25)	+ 6.00
TISCO(100)	+ 70.00
Tata Tea(10)	+ 2.00
WIMCO(10)	+ 5.00
Zuari(10)	+ 6.00

Losers	Between 19th May and 30th May
Atul(100)	— 4.00
Assam Frontier(10)	— 4.00
Bombay Dyeing(25)	— 8.50
DCM(25)	— 1.50
Voltas(100)	— 5.00

Indian commodity prices

Commodity	Variety/Centre	1985		Prices as on	
		High	*Low*	*May 16, 1986*	*May 30, 1986*
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	280.00	285.00
Rice	Sela-Hapur	319.00	261.00	320.00	302.50
Gram	Desi-Bombay	607.50	437.50	412.50	477.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	621.00	611.00
Edible oils (per tonne)					
Groundnut	Wholesale Bombay	16,408.00	13,962.00	18,070.00	17,628.00
Mustard (tin)	K.Ghani-Delhi	197.50	174.50	240.00	240.00
Coconut	Cochin	31,750.00	14,700.00	20,000.00	19,300.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,700.00	5,700.00
Angles	75x75x6mm	6,900.00	5,550.00	6,300.00	6,300.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,625.00	4,610.00
Lead	Bombay	1,265.00	1,210.00	1,450.00	1,425.00
Ferrous scrap (per tonne)					
Heavy melting	No.1-Bombay	2,500.00	1,950.00	2,750.00	2,750.00
Re-rollable	Bombay	4,325.00	3,275.00	4,275.00	4,275.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	178.00	178.00
Caustic	Flakes	385.00	300.00	385.00	385.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	59.00	60.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on	
			May 16, 1986	*May 30, 1986*
Gold	London	$/ounce	342.50	341.60
	Zurich	$/ounce	342.60	341.80
	Hong Kong	$/ounce	342.80	342.10
Silver	New York	Cents/ounce	503.50	512.00
Copper (w.bar)	London	£/tonne	910.00-912.00	915.00-916.00
Soyabean oil	Chicago	Cents/pound	17.78	18.30
Palm oil	Malaysia	$/tonne	530.00	510.00
Castor oil	Rotterdam	$/tonne	845.00	750.00
Black pepper	Singapore	$/quintal	910.00	915.00
Rubber	Malaysia	$/tonne	180.00-181.00	181.00-182.00

Renewed rayon price war

A marked decline in rayon yarn prices — in the wake of the renewed price war between two major spinners — was the highlight of trading in the Indian commodity markets during the fortnight ended 30th May 1986.

Fibres, yarn. Viscose rayon yarn prices declined further to around Rs. 25 per 454 gm (120 denier quality) on account of a renewed price war between National Rayon and Century Spinning. The undercurrents were also distinctly weak on account of the comfortable supply position in the face of poor offtake. Nylon yarn prices also remained subdued with 15denier yarn at Rs.183 per kg and 20 denier at Rs. 162 per kg. Cotton prices ruled steady.

Foodgrains. Wheat and rice prices turned quietly steady on expectations of an early monsoon this year. Prices of pulses, however, firmed up.

Edible oils. Edible oil prices tended to react on reports of a favourable turn in the weather. Stockists who were sitting tight on their stocks are now reportedly willing sellers.

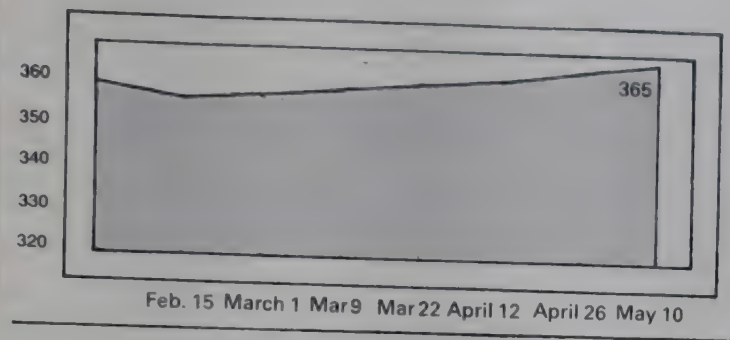
Chemicals. Citric acid prices which had shot up sky high on account of an acute shortage of the commodity following labour trouble at Citurgia, the major manufacturer, tended to decline following reports that the company had lifted the lockout and resumed operations.

On the other hand, there was a sharp spurt in the prices of titanium dioxide on account of an acute shortage of supplies. The chemical is selling in the black-market at around Rs. 58-60 per kg as against the official company rate of Rs. 31. A Kerala government company, which is the sole manufacturer of the chemical, is reported to have reduced the despatch of the product to the market.

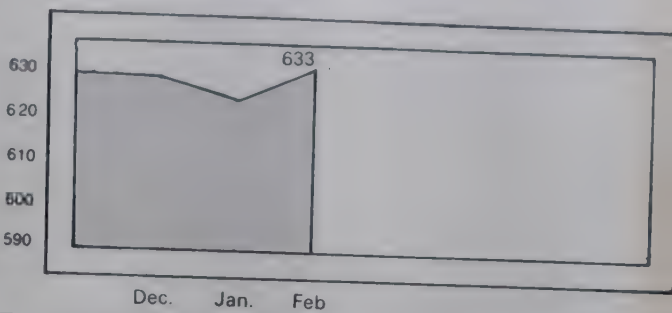
Sweetening agents. Sugar prices ruled quiet on account of a large quota of free sale sugar released for the month of June. *Gur* prices, however, ruled steady.

Non-ferrous metals and steel prices were quietly steady in restricted trading.

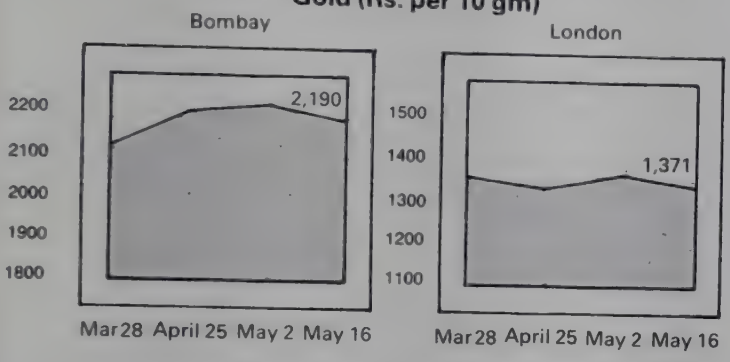
Wholesale Price Index (1970-71=100) 1986



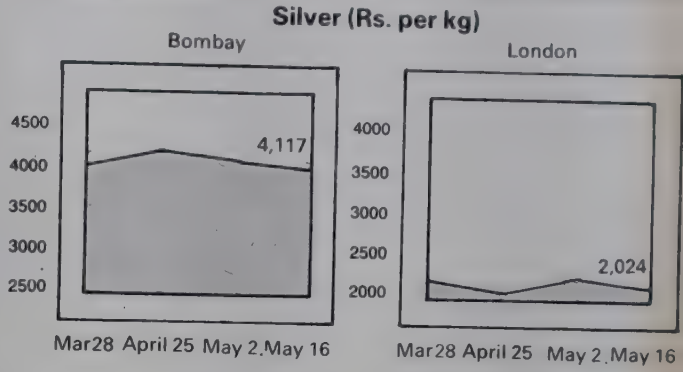
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 27th May 1986

	One month	Three months	Six months	One year
Sterling Pound	10.13	10.00	9.81	9.63
US dollar	7.00	7.06	7.06	7.19
West German mark	4.50	4.56	4.63	4.69
Japanese Yen	5.06	4.88	4.88	4.94

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 May 10	1986 May 9
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

*Money Supply (M3)	(Rs.crores)	% change over	
April 25, 1986	1,19,353	Fortnight	+0.1
April 11, 1986	1,19,196	Year	+15.9
April 26, 1985	1,02,986	Two years	+36.7

** Aggregate Deposits	(Rs.crores)	% change over	
May 9, 1986	88,901	Fortnight	+0.5
April 25, 1986	88,417	Year	+18.4
May 10, 1985	75,072	Two years	+40.8

*** Foreign Exchange Reserves	(Rs.crores)	% change over	
May 9, 1986	5,655	Fortnight	−0.9
April 25, 1986	5,706	Year	−6.1
May 10, 1985	6,024	Two years	+24.2

Bank credit	(Rs.crores)	% change over	
April 25, 1986	81,245	Fortnight	−0.1
April 11, 1986	81,353	Year	+15.5
April 26, 1985	70,314	Two years	+34.8

Foreign Exchange Rates (Spot) 1986
Buying Rs.

	1986 May 16	1985 May 17
One P. Sterling	18.96	15.76
One US Dollar	12.42	12.56
One D. Mark	5.63	4.03
One hundred J. Yen	7.54	4.97

CSO Index of Industrial Production (1970=100) 1985

May	193.6	November	206.4
June	192.6	December	222.0
July	198.5	**1986**	
August	196.5	January	224.0
September	201.2	February	214.3
October	202.4	March	239.0

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*

** *Demand deposits plus time deposits with all scheduled banks*

*** *Including SDRs, excludes gold coins*

Ma Bell's search

One American mega-corporation which, for reasons best known to itself, is dead keen on establishing a presence in Rajiv Gandhi's technically resurgent India, is the New York-based American Telegraph & Telephone Co.(AT&T—sales:Rs. 41,890 crores), popularly known as Ma Bell. The company's top management is reportedly keen to link up with indigenous business groups to promote telecommunications equipment and computer manufacturing ventures, for which it has reportedly budgeted an investment of $300 million (Rs. 360 crores).

According to reliable monitors of the Indian corporate scene, AT&T managers have already held intensive discussions with the heir apparent in the Tata group of companies, Ratan Tata. As a consequence, it has narrowed its choice of local partners for its telecommunications project to a Tata group company and/or a public sector telecom equipment manufacturing company.

Though keen on linking up with the Tatas for a computer hardware manufacturing project as well, AT&T managers are reported to have had second thoughts about a Tata linkage because the Tatas have already linked up with the Burroughs Corporation, USA, to promote Tata Burroughs. Consequently, the AT&T management is wooing Aziz Premji, chief executive of the Bombay-based Wipro Ltd., which has established quite a reputation in the personal computers business in this country, though the Hinduja and Birla groups are also reported to be interested in an AT&T link up.

Olivetti-Modi link up

One of Europe's largest telecommunications equipment and computers manufacturing company, the Italian Olivetti spa (sales: $2.64 billion or Rs. 3,168 crores in the year ended 31st December 1984), has taken the plunge into the Indian market. The Italian company has signed a technical collaboration agreement with the Modi group, more specifically Modi Xerox, under which it will transfer the technology for the indigenous manufacture of Olivetti M-24 personal computer (PC) and components and derivatives, including software.

Under the agreement, Olivetti will be paid a lumpsum of $750,000 (Rs. 90 lakhs) plus a royalty of 3% on sales. During the pendency of the 12 year agreement, a production target of 400 PCs has been set for 1987, going up to 2,280 units in 1989.

The agreement is likely to confer numerous benefits on Modi Xerox. The company's much too expensive Rs. 37.50 crore factory in Rampur (Uttar Pradesh) is lumbered with considerable excess capacity. Part of this capacity will be utilised to manufacture the Olivetti M-24 PC.

Ungrateful client

A public sector firm may toil and sow, but it may not reap the harvest. Take the case of CMC Ltd., which has trebled its annual sales turnover from Rs. 13 crores to Rs. 42 crores during the last two years, mainly through pioneering work in the field of software development. For instance, IMVRESS — the software designed for the computerised railway reservation system operating with unexpected efficiency in the capital — was entirely developed by CMC. One of the prime reasons why Indian Railways got the entire system for a virtual song at Rs. 2.4 crores was because CMC chose to charge it only a fraction of what it cost the corporation to develop the software. But now CMC managers are rueing the day they did so because suddenly they appear to be caught in a bind.

Far from being obligated to CMC, for the second stage, the railways have chosen to call for open tenders for the computerisation of rail reservations in Bombay and Calcutta. For CMC managers, a scary fact is that the software developed by them is owned jointly by the corporation and Indian Railways. If the latter chooses to make it available to a third party, then there is precious little that CMC can do about it, except make threatening noises. However, there is a silver lining: the hardware element will have to be compatible as otherwise networking will be virtually impossible between the four cities. Moreover, CMC is the designated service agency for virtually all the computer hardware systems installed in the public sector.

The question then is: why is the railways' top brass putting the pressure on CMC which took up the task of developing a software package at a time when no one else gave them more than a one-in-a-million chance of succeeding? Obviously, the men who manage the railways have very short memories and a sense of gratitude is not one of their virtues. In which case CMC may have very little to show for the pains it has taken to cultivate this particular client.

State Bank politics

The ripples caused within the esoteric banking fraternity by the dramatic raids on the Delhi and Bombay business and residential premises of A.S. Puri, managing director of the country's largest commercial bank — The State Bank of India (SBI) — in mid-May, are yet to subside. The chairman of the SBI, D.N. Ghosh, was in Hong Kong, on his way to attend a board meeting of the Asian Development Bank in Manila, when he received a message to fly back to India. Awaiting him in Bombay was a message from Union finance minister V.P. Singh, directing him to send Puri on leave and to seal his office in Bombay.

When Puri proceeded on leave to Delhi, he was placed under virtual house arrest by the CBI. According to reliable reports from within the SBI, Puri is being investigated in connection with a $10 million loan advanced by the SBI Singapore, to a local company, Tentura Ltd. — a company of uncertain parentage. If Tentura offers up the secret of its lineage, the revelation could unlock the mystery of the ownership of R.G. Shaw & Co., London, which has purchased a 38.7% equity shareholding in the Calcutta-based Shaw Wallace & Co. In addition, Puri is also reported to have authorised RBI loans to a Bangkok-based businessman of Indian origin from whom he allegedly received hospitality in Britain and the US.

Despite his long career in the SBI, Puri has won more respect for his corporate political skills than for his banking acumen. Indeed, P.C. Nambiar, the highly rated former chairman and managing director of the SBI, had demoted Puri from the position of deputy managing director to chief general manager in the late seventies. However, with the return to power of R.K. Dhawan in 1980, Puri began moving up the SBI executive ladder and his demotion was not only reversed but he was also promoted when V.S. Natrajan (who was chairman of the bank for a mere 14 days) reinstated him.

Indeed, Puri was a strong contender for the position of chairman of SBI after V.N. Nadkarni, who served a stint of 18 months. However, with the assassination of Mrs. Gandhi and the emergence of the crusading V.P. Singh as finance minister, Puri's fate was sealed. Right now, few bankers visualise the possibility of his being reinstated.



Are you ready for the best in life?

There's only one thing that stands between a man and the best things in life. A decision. A sharp-edged decision in favour of excellence. Even in the choice of a blade.

Savage. A classic of Wilkinson technology. A blade like no other. The only one with the unique Gothic Arch edge. Specially triple coated with



polytetrafluoroethylene and chromium and ceramic. For the smoothest, most pleasurable shaves. Day after day after day.

Get the Savage experience.
It's ready. When you are.

Wilkinson India Ltd.

MH/BYS-141
TN/MS(C)/673

you just can't beat a BAJAJ



The scooter that carries the entire population of an average Indian city—over 4 million people

Which Indian scooter can claim the privilege of carrying so many people? Only Bajaj. Because only Bajaj has nearly 2 million scooters on the road today. Considering 2 persons per Bajaj makes it 4 million people.

Which makes Bajaj the most popular scooter in the country with all the others put together!

Yes, Bajaj is India's first choice in scooters.

Ask any of those 2 million Bajaj owners and they'll tell you.

You just can't beat a Bajaj!

bajaj auto

LMAS BAJ 17 282

BusinessWorld

e magazine for Indian business



Prakesh Naraya
Chairman, Railway Boa

New stimulus in the lifeline of the nation

Sea chang in the so drinks industr


TIME BUSTERS
NOW SHOWING
AT DELHI AND BOMBAY
STARRING THE
9 BRITISH AIRWAYS NON-STOP FLIGHTS TO LONDON
A TOTAL CAST OF 14 FLIGHTS A WEEK WITH DAILY PERFORMANCES
THE OPPORTUNITY TO CATCH CONNECTIONS TO
TINATIONS WORLDWIDE FROM LONDON HEATHRO
BRITISH AIRWAYS
The
RITISH AIRWAYS PRODUCTION

VOLUME 6, ISSUE 7, JUNE 23 - JULY 6, 1986

BusinessWorld

the magazine for Indian business

Editor
Dilip Thakore
Assistant Editors
Debjani Sinha
Michael Neri
Special Correspondent
Binu S. Thomas
Calcutta
Special Representative
Sujoy Gupta
Delhi
Anand P. Raman
Bangalore
N. Raghavan
London
Seetha Kumar
Sub-editor
Indira Khanna
Art Director
Bipul Guha
Production
Mohan Nair
Layout
Mohan Nair
Hajoo Aslam E.

☐Editorial office
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone: 221178 & 241083

☐Head Office & Regd. Office
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700 001
Telephone 278000 & 274880

☐Regional Offices

Bombay
145, Atlanta
209, Ceremonial Boulevard
Nariman Point, Bombay 400 021
Phone 240581, 241083

Delhi
1/7 IENS Bldg
Rafimarg
New Delhi-1
385401 Ex. 37
383058 (Editorial)
Phone 389078 (Advtg)

Madras
Dents Garden, 18, Pattulos Road,
Madras 600 002
Phone 89379 & 81713

Bangalore
14, Madras Bank Road
4th Floor,
Bangalore 560 001
Phone 568227 & 568228

London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC 4
Telephone 01-353-1821

Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

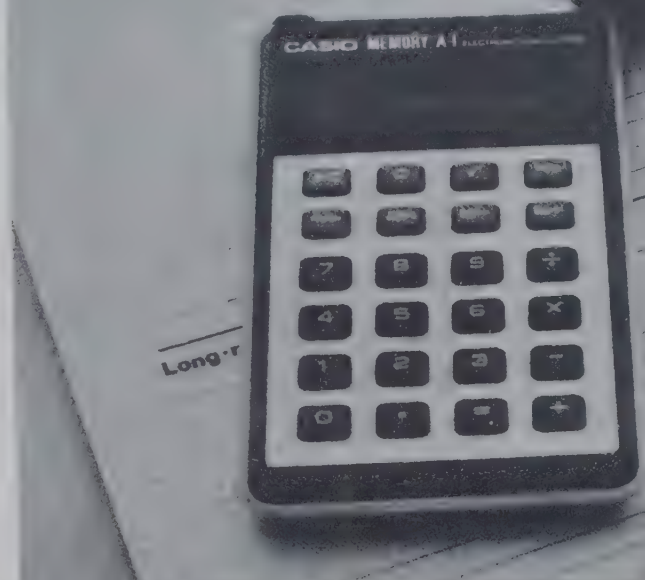
BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

Why not save 20%.

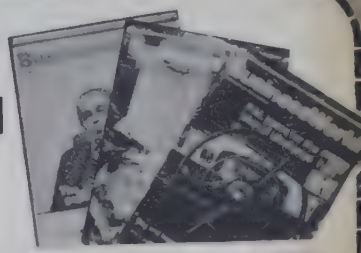
Money back guarantee

We are confident you will enjoy **BusinessWorld.** Confident enough to refund your entire subscription within two months if you are not satisfied.



Send me the following issues of

BusinessWorld
the magazine for Indian business



My cheque is enclosed

Mail my copy to _____

Name _____

Address _____

State _____

Pin code _____

Subscription Rate (In India)

One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

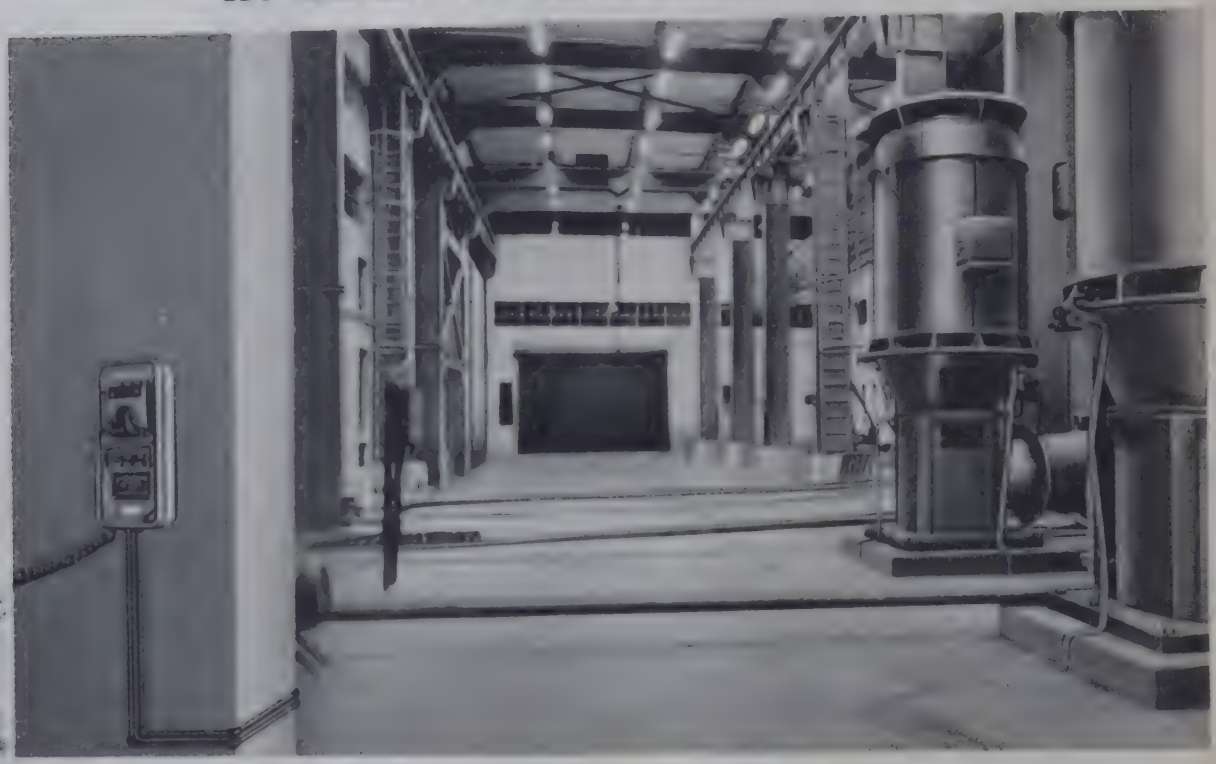
Please draw cheque in favour of
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700 001

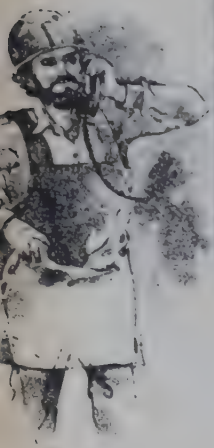
Rs 3 extra for outstation cheques

Please tick
☐ One Year
☐ Two Years
☐ Three Years

PHILIPS

What do you look for when you need turnkey capabilities in audio communications?





When white hot iron ingots roll at TISCO... when superheated steam flows at the Ramagundam Super Thermal Power Station... when SLVs are launched from the SHAR Space Centre... Philips help ensure sound co-ordination of activities for successful operations.

Leading in Industrial Communication Systems
At TISCO, Philips Industrial Communication Systems help communicate messages instantly and clearly.

At SHAR Space Centre, Philips Communication Systems help co-ordinate launch operations.

In all industrial communication systems, Philips meet the stringent requirements of industrial users. Expertise in design, systems engineering and installation combine to make Philips the leader in industrial communications.

Wide Range of Audio Communication Systems
With an extensive range of Audio Modules which can be configured to meet any audio communication requirement, Philips today can cater to the audio communication needs of a wide spectrum of users.

In addition, Philips has a range of Office Communication Systems including Digital Intercom Systems, Conference Systems and Dictation Systems.

For all your audio communication requirements, contact:
Philips India, Electro-acoustics Dept., Block A, Shivsagar Estate, Worli, Bombay 400 018.

Expertise that's sound.
And the widest ever range of sound systems.

Philips Audio Communications. When it's Philips, you're sure.

CLARION/B/P/194/244

Philips – the trusted Indian household name for over fifty years

BusinessWorld
June 23—July 6, 1986

One of the great but largely unsung stories of the indigenous business management movement is that of Indian Railways. Though there are not a few aspects of the style of management of India's largest commercial undertaking which can be justifiably criticised, the fact is that the men who manage this lifeline of the nation originate over 10,000 trains per day which transport over 9 million passengers and 7,50,000 tonnes of freight daily. A feat of this magnitude requires management skills of high quality.

The operational performance of the men who manage Indian Railways is particularly commendable if one bears in mind the numerous stresses, pressures and pulls they are subjected to even while they are in the process of keeping the wheels of the 3.65 lakh wagons, 38,583 coaches and 10,128 locomotives owned by this departmental undertaking of the Union government moving. For a start, the importance to the national economy of this lifeline of the nation notwithstanding, Indian Railways is perenially funds-starved and while its freight haulage target is raised annually, the allocations to the undertaking as a percentage of public sector plan outlays have been falling steadily from 15.45% in the Third Plan to 6.6% in the recently concluded Sixth Plan.

A huge wage bill and a perennial shortage of investible funds has taken its toll in terms of the replacement and modernisation of Indian Railways' rolling stock and renewal of its ageing track and bridges. As a consequence, a significant percentage of its rolling stock and track is over-aged. Notwithstanding this, the recently concluded fiscal year was one of the 133 year old undertaking's best in terms of operational performance.

Enthused by this operational performance, the undertaking's management is planning a massive modernisation and technology upgradation programme for Indian Railways. *BusinessWorld*'s Delhi-based correspondent Anand P. Raman has put together an absorbing account of how a revitalised management team within Indian Railways, supported by a technologically committed government in New Delhi, is injecting a new stimulus into the lifeline of the nation.

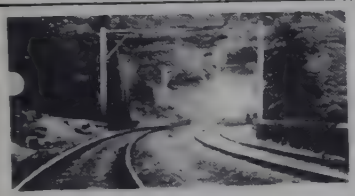
This fortnight's Spotlight feature is also an ambitious venture. Somewhat fed up with the large number of enquiries relating to the high profile soft drinks industry, our Bombay-based senior correspondent Binu S. Thomas who had earlier written a much commented upon story on the soap industry, has written an information-laden story on this industry.

Alas, this is Thomas' last feature as the Bombay correspondent of *BusinessWorld*. An individual who has matured amazingly after joining us straight after obtaining a diploma in marketing management from Pune University two years ago, Thomas is moving to Hong Kong to work with *Asiaweek* from where he promises to put in the occasional despatch. Our best wishes go with him.

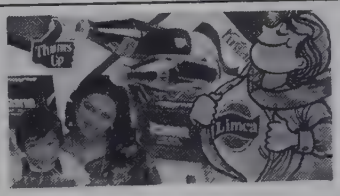
Dilip Thakore

IN THIS ISSUE

Cover transparency by Abhay Tamhane



42 New stimulus in the lifeline of the nation
A quiet but revitalised management team is in the process of putting Indian Railways back on the rails.

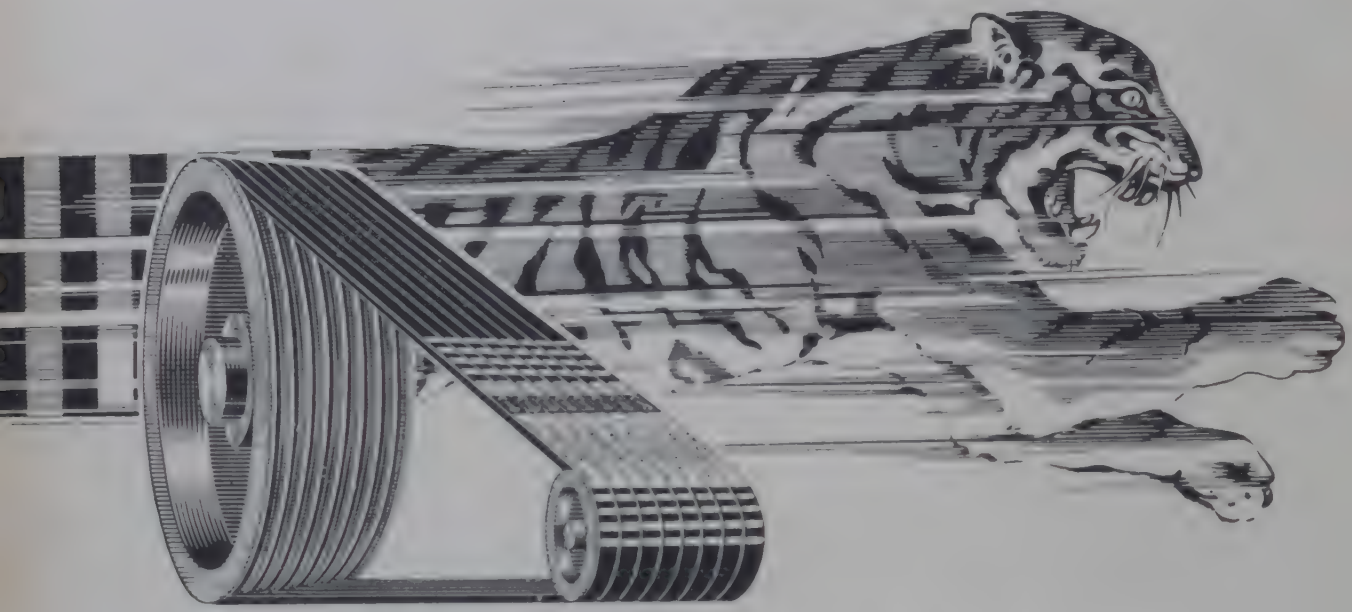


76 Sea change in the soft drinks industry
Changes in beverage packaging technologies and shifting consumer preferences are sweeping the soft drinks industry.

15 Towards purposive elitism
Arun Gandhi is a former editor of *Imprint*
16 European bankers' rating
Ravi. R. Singh Mehta is a faculty member of the Staff Training College of Punjab & Sind Bank
27 Image of business in perspective
R.J. Venkateswaran is a Calcutta-based management consultant
28 Taxable business connections
H.P. Ranina is a well known Bombay-based advocate
37 In praise of training
T.A.Balasubramanian is a senior systems officer in the Hindustan Petroleum Corporation
41 Finesse in refusal
Krish Pennathur is a former president of the International Federation of Productivity Science
62 Company literature
P.V. Satyanarayana is a Bombay-based management consultant.
63 Innovation prerequisites
Walter E.Vieira is a Bombay-based management consultant
72 Green issues
Darryl D'Monte is a former resident editor of the *Indian Express*, Bombay
83 Sharp right turn
David Housego is a correspondent of the *Financial Times*, London
90 The war of the generals
John Mcbeth is a correspondent of the *Far Eastern Economic Review*, Hong Kong

5 Editorial
6 Letters to the Editor
9 Last Fortnight/Next Fortnight
15 Political Comment
16 Banking & Finance
16 Business News
27 Economic Comment
28 Taxation
29 In the News
37 Computers
38 Careers
39 The Professionals
41 Management
42 Cover Feature
62 Business Information
63 Marketing
64 Leisure
72 Mediatrends
76 Spotlight
83 Letter from Paris
83 International News
90 Letter from Bangkok
91 International Briefs
92 Company News & Events
95 Investments
96 Stockmarkets
98 Commodities
99 Economic Review
100 Offstage

With the strongest of the species you're really getting a longer run for your money



And unmatched value! Because it's Dunlop. The name that's stood for expertise in polymer engineering for over 30 years.

Look at all you get with Dunlop Maxlife Polyester Cord Vee Belts!

The strength to take on pulsating loads. The strength to fight stress and abrasion. The strength to survive, again and again. Strength that shows its true mettle on the most demanding drives.

What gives Dunlop Vee Belt its unique value is that it is backed by a price that's more economical than any other of its class. And quality that cheaper belts can't even begin to offer That's a real benefit for you

Put your money on the strongest of the species and watch it grow!

FREE! **DUNLOP MAXLIFE POLYESTER CORD VEE BELT BOOKLET**

For your copy send your name and address to
Area Manager—Industrial Products
Dunlop India Limited
132-A Dr Annie Besant Road
Post Box No 16584
Worli, Bombay 400 018

Other Dunlop Industrial Products Fan Belt, Transmission & Conveyor Belting, Industrial, Hydraulic and Dunloflex Hose, Adhesive Solutions, Metalastik Anti-vibration Components

DUNLOP
VEE BELT

Excellence in polymer engineering

DIP-6245

C. F. T. R. I., MYSO

The public sector: the Sengupta report and beyond

If the recent appointment of a Union minister of state to supervise and tone up the performance of public sector enterprises is an indicator of the Central government's determination to revitalise these somnolent giants, the move has come not a day too soon. The public sector is not only in bad shape, its ability to generate sizeable profits (or 'investible surpluses' for those who don't like the word 'profit') during the Seventh Plan period underpins the 5% annual rate of economic growth envisaged in the plan.

According to the Seventh Plan document, the 5% average annual rate of real GDP growth is dependent upon an investment of Rs. 3,22,366 crores at 1984-85 prices during the next five years. Of this massive sum, Rs. 1,54,218 crores (Rs. 1,80,000 crores if the development outlays of Rs. 25,782 crores made between 1st April and 9th November 1985 when the draft Seventh Plan was approved by the National Development Council is added) is the public sector outlay and Rs. 1,68,148 crores the projected investment of the private sector.

The resource mobilisation and investment targets for both the public and private sectors are very ambitious. But of the two, the target of the public sector is more so. The public sector (or Central and state governments) can sustain this level of investment only if it receives Rs. 18,000 crores as aid or foreign investment and, even more ambitiously, if public sector enterprises can 'contribute' an aggregate sum of Rs. 35,485 crores by way of investible surpluses during the plan period.

Just how tall an order the latter requirement is can be judged from the fact that in the Third Plan, the public sector contribution was Rs. 550 crores; in the Fourth Plan Rs. 2,231 crores, in the Fifth Plan Rs. 849 crores and in the Sixth Plan Rs. 9,395 crores (*not* at constant prices). Indeed, the best ever performance of the public sector enterprises over the last quarter century was during the Fourth Plan when they contributed 14% of the total public sector outlay of Rs. 15,902 crores. Against this, during the Seventh Plan period, public sector enterprises are budgeted to contribute 19.7%.

Unfortunately there is little in the public sector's performance record to justify such optimism. In the year ended 31st March 1985, the 207 Central government enterprises monitored by the Bureau of Public Enterprises (BPE) in which an aggregate sum of Rs. 39,324 crores had been invested at that time earned only Rs. 929 crores by way of profit after tax. According to a study conducted by the Bombay-based Centre for Monitoring the Indian Economy (CMIE) over the past 25 years, the net profit to sales ratio of the BPE enterprises averages a mere 0.7%. Against the backdrop of this dismal performance, the Planning Commission expects the public sector enterprises to average a net profit (retained profit plus depreciation) of Rs. 7,097 crores *per year* during the Seventh Plan period.

Excellent suggestions

Only when viewed against this operational record which is indicative of the extent to which the rot has seeped into the public sector, can the magnitude of the challenge of reforming this vital sector within Indian industry be seen in its proper perspective. The Arjun Sengupta Committee, which was constituted to review government policy in relation to public sector enterprises, has filed its report and made several excellent suggestions which in its view will increase "the degree of autonomy of public enterprises, enforce accountability for performance effectively and contribute thereby to its better performance."

However, the Sengupta Committee's report which suggests changes in the organisational structure of public enterprises through the introduction of the concept of the holding company, which would formulate policy in consultation with government for clusters of companies; the drawing up of defined procedures and regulations to ensure a measure of autonomy for public sector enterprises; changes in the systems of performance evaluation and accountability and the drawing up of a code of conduct that "governs the exercise of authority in government and public sector enterprises" — perhaps because of its terms of reference — does not examine the more radical options open to the Union government.

The first of these is to privatise or mobilise resources throug the outright sale of selected public sector enterprises to ind viduals or private sector companies. Given the sustained infla tion which has characterised the past three decades, there ca be little doubt that the exchequer can benefit handsome from such privatisation. Private sector purchasers with prove track records in related lines of business could even be offere pay-as-you-earn terms.

The argument that in these politically fluid times privatis tion is not a feasible option is certain to be advanced. Even if is accepted as valid —and there is room for argument on th score — there is the partial privatisation option. There can b no rational argument against the Union government unloadi shares of blue chip public sector corporations such as Air Indi HMT, BHEL and Indian Airlines to the public even while retaini the majority shareholding. Doing so would not only help t resource strapped government to raise resources but wou also make the managements of such corporations subject public, i.e. shareholders', supervision and tone up the performance.

Eminently sensible

Yet to argue that given the gravity of the resource mobilisation crunch confronting the public sector during the next four years, the government needs to look beyond the recommendations of the Sengupta Committee's report is not to suggest the shelving of the committee's recommendations. Within the framework of the status quo, the Sengupta Committee's recommendations are eminently sensible and it is to the credit of the Rajiv Gandhi administration that its numerous preoccupations notwithstanding, it has moved with alacrity to implement some of them.

But so deep is the rot within the public sector whose ope tional performance underpins the success of the Seventh Pla that concurrently with the implementation of the committe recommendations, it makes sense to look beyond the Sengu report and grasp the nettle of a more radical restructuring the public sector which has promised so much yet delivered little.

Job hopping benefits

SIR—The 'stunning' exit of two chief executives, as mentioned in your Cover Feature on job hopping (*BW* April 14-27), is not to be looked at only from a job hopper's point of view. It is more an example of: (a) failure at the recruitment stage, i.e. a mismatch of the man and the job, and (b) a management's failure to manage change.

Tremors, if at all, caused by these two exits, will be mostly ignored by job hoppers.

Next to marrying the boss' daughter, the quickest way to the top of the executive ladder is by job hopping. Career planning is restricted to a very few professionally managed companies and to family members in the majority of other companies. And the failure of career planning leads to talent snatching. When there is a corporate coup and the raider brings in his *chamchas*, what can the existing senior executives of the company do, except quit? Job hopping *per se* is not bad. For the recruiter, "Has the candidate grown in his previous jobs?" is the question. A rolling stone may not gather moss. But it does gather a tremendous amount of momentum and polish.

A change from the small to the big, and from the big to the bigger and better, is always welcome and desirable. Therefore there is nothing wrong in playing corporate musical chairs. Most able managers realise that they have marketable talent and they are not averse to looking for greener pastures when they are blocked or frustrated.

A smart executive makes his investment where there is growth. The mediocre manager tends to stick with a dying company right up to its funeral. And MBAs, of course, will flit from one corporate flower to another, whether the time is 1986 or 2086. The 'stayers' take the attitude, "Let us cross the bridge when we come to it." But by the time they come to it, the bridge might have collapsed and they might not have learnt to swim.

P.S. Hariharan
Mysore

Superb but...

SIR—The Cover Feature on job hoppers (*BW* April 14-27) was simply superb. It gives a ringside view of the aspirations, ambitions and frustrations of job hoppers. What stands out very clearly is that there are few individuals who come out with a good job hopping track record.

I remember a typical example of a well-known Indian company whose annual sales turnover exceeds Rs. 60 crores. It recruited a general manager (manufacturing) who had served in three different multinational companies in the executive cadre. Within a few months he found he was a misfit. This organisation did not give him as much freedom to operate as he was used to.

The moral of this story is: (a) there are very few Indian companies which believe in human resources development, (b) the culture of an Indian company depends on individuals, and (c) career planning is hardly heard of in a profitable Indian company.

However, what is surprising is that you have made the article interesting only for the top management fraternity, forgetting that there is job hopping in the middle levels of management as well. This leads me to conclude that your magazine is aimed only at top level managers. Any comments?

S. Narayanan
Bombay

Leasing omission

SIR—I am a regular reader of *BusinessWorld*. The basic purpose of writing this letter is first to congratulate your correspondent V.A. Acharya for the Spotlight article titled 'New challenges in leasing industry' (*BW* April 14-27).

Second, your correspondent did not mention the name of the Allahabad-based Loke Priya Leasing Co. which is one of the fastest growing leasing companies.

Ashok Kumar Jena
Balangir (Orissa)

NELCO: service

SIR—This is with reference to your Spotlight article 'Modi Xerox battles the odds' (*BW* March 3-16).

I purchased a Mita 213 RE copier from NELCO, Madras division for a fancy price of Rs. 1,32,000 with some special discount. The machine was installed at my premises on 5th November 1985 with a promise of excellent service. On crossing 15,000 copies, the drum and the developing unit began to give problems. I approached NELCO and complained about the following defects even at the initial stage. (1) The dehumidifier unit was not working, (2) The drum developed many lines and (3) The developing unit was not perfect. To solve these problems, Mr. Radhakrishnan, branch manager, Madras division promised to replace the copier and till such time, suggested a change of the drum and developer at my cost on a pro-rata basis (during the guarantee period). Accordingly, I spent Rs. 3,000 and changed the drum and bought a new developer bottle at my cost.

In spite of these, after printing 3,000 copies the developer became contaminated and hence, after my complaint, a new developer bottle was given to me free of charge. And again, this gave only 7,000 copies. Thus I have changed four bottles of developer for 40,000 copies.

In order to keep the machine in a very good condition I have installed an airconditioner to keep the room free from dust. I have paid Rs. 1,20,000 for the copier through M/s. Sakthi Finance Ltd., Madras within a week of installation. I hope that NELCO will not drink my blood by refusing to replace the copier or NELCO should refund my entire amount to M/s. Sakthi Finance Ltd. and take back its machine.

S.R. Ramasamy
Madras

Monappa's deficiencies

SIR—'Job enrichment basics' by Arun Monappa (*BW* March 31-April 13, p. 30) suffers from many deficiencies. As the title suggests this article is meant for those who may not be very well versed with job enrichment programmes. However, the article ends up as a sales plug rather than an intellectual guide to managers for understanding job enrichment basics in all its dimensions.

Monappa starts with an elaborate discussion of Maslow's theory of human motivation which is somewhat irrelevant in the context. Similarly, his references to McGregor are largely out of place. He could have confined himself to Herzberg, saving time and space for other relevant details. Monappa has also not come out clearly with five basic dimensions of any job which are enriched in a job enrichment programme. These are: task identity, task significance, autonomy, variety and feedback.

Monappa has also chosen to discuss at great length the Volvo experiments (1969). Obviously, there are many other more recent experiments within and outside this country which could have been discussed. In fact readers would have identified themselves more intimately with the Dynamo case if the writer had chosen to substitute it with

BusinessWorld
June 23—July 6, 1986

the Volvo case. This underscores the general belief that Indian academicians still prefer to swear by General Foods, Saab Scania and Volvo type of case studies. This comment should not be taken as being motivated by xenophobia. His reference to job enrichment experiments at Dynamo is strangely very short. Moreover, the name (Dynamo Corporation) mentioned by him appears to be incorrect.

Further, not once does Monappa caution his readers against the inherent limitations of job enrichment programmes. In many organisations, both Indian and otherwise, job enrichment programmes have failed to produce results. This is because managers and personnel specialists tend to apply their own scale of values and accomplishments to other people's personalities.Secondly, in certain cases, failure has been impelled by wrong method of introducing job enrichment programmes,i.e. imposing the programme on employees as if managers only know what is good for all. Monappa could have chosen to mention these limitations also.

Apparently a typographical error has also crept in, in the form of Nitish R.De, who has been quoted as R. De to make matters worse.

Dr. V.P. Singh
Balaghat (Madhya Pradesh)

Unrealistic expectation

SIR—I fully agree with Sujoy Gupta's contention (*BW* May 12-25, p. 14) that nominee directors should accept equal responsibility for lapses of management in the corporate sector, especially in the case of legal matters. However, this necessitates that nominee directors have an equal say in the day-to-day running of the company. This definitely will not go down well with our "industrial" families, as was amply proved in the Escorts case.

Given that the financial institutions have promised not to interfere in the everyday management of the company, their nominees cannot be expected to shoulder equal responsibility along with the other members of the board.

J.S. Daboo
Bombay

Pertinent question

SIR—With reference to the report published under the caption 'Dubious linkage' (*BW*,May 12-25, p. 99), please note that the public issue of Shrishma Fine Chemicals & Pharmaceuticals (Karnataka) Ltd. was not a linked issue as claimed in the said article. Investors had the option to subscribe for equity or debenture of both.

Also, please refer to the report published in your Offstage column of the same issue under the title 'Good & excellent' in which you have stated that Galaxy Power Cables Ltd., which went public recently, experienced poor investor response. The said issue opened for subscription on 26th May. How were you able to report "poor investor response from the public" on 12th May?

Sudhir Agarwal
Kanpur

Confusing versions

SIR—I refer to the article 'Books of 1985' (*BW* March 3-16, p. 51). Since you seem to know the workings of book publishers, distributors and their products, I would be grateful if you would clarify the following points of interest.

I have two copies of the novel *First among equals* by Jeffrey Archer and I give below a comparative study on the two editions published by two different concerns.

The first copy is published by Pocket Books (a division of Simon & Schuster Incorporated, USA). It has only three contenders for the post of prime minister in the British Parliament—Charles Hampton, Simon Kerslake and Raymond Gould. The prologue starts in King Charles III's chambers and Simon Kerslake becomes the prime minister in the end.

The second copy is published by India Book House by arrangement with Hodder & Stoughton Ltd., London (Coronet Books). It has four contenders for the post of prime minister—Charles Seymour, Simon Kerslake, Raymond Gould and Andrew Fraser. The prologue starts with the birth of Charles Seymour and Raymond Gould becomes the prime minister in the end.

Both the above books follow a basically similar story line despite the totally different aspects mentioned above and both are published by reputable firms. I have never felt so frustrated over a matter as I have over this and you would be doing a great service by explaining this confusion. Even if one edition is pirated, it still does not explain why anyone should take so much trouble and with obviously considerable skill, change the main story.

Kurian Isaac
Kottayam (Kerala)

Jeffrey Archer wrote two versions of First Among Equals*—one for the US market (in which a conservative party candidate becomes prime minister) and one for the British market (in which a labour party candidate becomes prime minister)*—Editor

Privatisation plea

SIR—I feel distressed to read in the newspapers and in your Business News (*BW* June 9-22, p.18) that the government is planning to promote holding companies for loss-making public sector enterprises. Such experiments have already cost billions of rupees and without any effect since there are basic wrongs in the theory of nationalisation. Now it is as clear as daylight that professionals cannot run a unit profitably.

Instead of going into the controversy of whether nationalisation is good or bad, the government should come forward wholeheartedly and bear all the liabilities of all those units which are unprofitable and sell them at the present market value with advice to the new management to be lenient to existing small shareholders and workers.

If the government can fix a time limit to sell all losing public sector enterprises within this financial year, it will save the poverty-ridden people from the avoidable burden of taxes, create a climate for healthy development for industry and usher in prosperity.

Panna Lall Mundhra
Calcutta

Tropical laziness

SIR—As I finished reading Michael Neri's article 'More pay less work' (*BW* May 12-25, p. 16), I remembered the day—23rd May—was Buddha *purnima*. Since the time for the home delivery of mail was almost over and the postman had not arrived, I called my good friend, the local postmaster. "No mail delivery, sir, today it is Buddha *purnima* and so a holiday," was what he told me, explaining further that unlike yesteryears a postal holiday now means complete stoppage of delivery of letters.

If our post offices stop functioning completely because of holidays granted to their staff on all conceivable grounds every now and then, why shouldn't the railways, public utilities such as the electricity supply, waterworks, hospitals, law and order enforcing agencies like the police, the CISF, *et al*, also stop functioning completely on holidays?

Some time back in a television programme, in which L.K. Jha and P.L. Tandon among others participated, Tandon suggested—if I remember aright—a national level review of our holiday policy; he was critical of the large number of holidays in India when the nation stops working. He pointed out that a study undertaken at the National Council of Applied Economic Research had shown that on an average, Indians work almost 500 hours less in a year than people of advanced western countries.

Maybe *BW* could wage a relentless war against the suicidal official policy of treating public organisations and utilities as welfare institutions dedicated to the chief task of looking after the well-being of their employees and officers. Currently, the plethora of paid holidays at the national and state levels, extra-liberal facilities, all result in putting a premium on tropical laziness. There has to be a balanced synthesis between our concept of public service and welfare for public servants. In my younger days, as a college teacher, I knew that teachers were not entitled to privilege leave because of long vacations in educational institutions. The other day a young college teacher said he is now entitled to privilege or earned leave on the same scale as government servants not holding academic or teaching posts.

Incidentally, Neri may kindly clarify if in the US Saturdays as well are holidays or not. According to him, in the US there are 21 days of paid leave (earned leave, I take it), Sundays and eight national holidays. Is the typical work year in excess of 280 days in the US too?

D.P. Mukherjee
Bolpur (West Bengal)

Michael Neri replies: *According to our information, Saturdays are generally holidays in the US. Our attempts to confirm this with the USIS' information desk at Bombay have so far been unsuccessful, but Mr. Mukherjee may have better luck with the USIS in Calcutta.*

Holiday damage

SIR—Your recent Business News article 'More pay less work' (*BW* May 12-25, p. 16) made astonishing reading. When the country is suffering serious economic problems, why should organised sector employees—a privileged lot—enjoy more than half the year as paid holidays? The loss of production due to a single national holiday, which is Rs. 500 crores, as is mentioned in the article, is argument enough of the damage caused to the economy.

Upendra Mhatre
Dombivli (Bombay)

Shortest working year

SIR—With reference to your Business News report 'More pay less work' (*BW* May 12-25, p. 16), while the government talks of economic progress, it is guilty of destroying the basis of such progress, *viz* a work ethic in the country. The long list of holidays and the casual manner of declaring some of them need serious attention.

The 125th birthday of Guru Rabindranath Tagore was declared a holiday one day earlier by the Central government. In Maharashtra, only on 12th April, the public was told by the state government that 14th April was a holiday to celebrate the birth anniversary of Dr. Babasaheb Ambedkar. These great men had toiled incessantly for the public good, and there are better ways of honouring their memory than grinding the affairs of the nation to a screeching halt by the sudden declaration of holidays.

The five-day week has dealt another body blow to hard work and progress.

P.L. Tandon, chairman of the National Council for Applied Economic Research, has recently pointed out the baneful effect of this on the already high cost of administration in government and public utilities. He says: "We have reached a stage, where with the introduction of the five day week in government plus 31 days earned leave plus 12 days casual leave plus 20 public holidays plus 94 Saturdays and Sundays plus 15 days sick leave, all on full pay, excluding of course also the half-pay leave, all of which the government staff takes meticulously, it leaves a total of 181 working days in a year, which at 7.5 working hours per day make a total of 1,357 hours in a year. This is the shortest working year in the world, compared with about 1,700-1,800 in Europe and USA. On top of that, the over employment rate is around five to 50 times. Take for instance SAIL, which, to produce 6 million tonnes, employs about 2,50,000 people in its four plants. The average wage rate of each worker in 1984 was Rs. 24,000 per annum, against which the Japanese will employ about 5,000 workers to produce that much steel. From my own experience of the public sector and the administration, I would say that the scope for cost reduction is anything around 60% to 70%, which if effective, would produce greater productivity and more genuine employment through lower taxation and administered prices."

If the real time worked in government offices, *viz*. hardly three hours per day, is taken into account, the effective working hours are 543 hours annually. In contrast, an average Japanese works 2,180 hours a year.

It is high time that we gave some thought to these matters.

M.R. Pai
Bombay

Vitally relevant

SIR—This refers to your Business News article 'Introspective jubilee' (*BW* May 12-25, p. 23).

You have rightly remarked that management education in our country has come of age. However, to some, the concept is still alien. For others, it is cosmetic.

This situation is really unfortunate. Doubting Thomases never tire of saying that the concept is not at all relevant to conditions prevailing in this country. But this is like saying that basic requirements of a human body in India are different from those in western countries. It is time we Indians viewed management education as vitally relevant rather than an assortment of jargon to impress others. Peter Drucker's comment, "There are no underdeveloped countries. There are only undermanaged ones," proves the point beyond doubt.

How is it that our economy enjoys the unenviable reputation of having one of the highest capital-output ratios in the world? You name any sector of our economy and we find it is the quality of management input, more than anything else, which is needed to tone up performance. At the current stage of our economic development, our managers should concentrate on functioning as change agents. Our premier management institutions such as the IIMs must also take this factor into consideration while charting out their future courses of action.

Ashok K. Jha
Patna

BusinessWorld invites letters from readers on matters of topical interest. Letters should preferably be typed and should not exceed 250 words.

MAY 31

Under the Global System of Trade Preferences (GSTP), 49 developing countries signed an accord to initiate negotiations on the exchange of trade concessions (*BS*).

The Union government decided to waive the ban on the resale of new two-wheeler automotive vehicles within two years of its first purchase (*ET*).

JUNE 1

The Cabinet Committee on economic affairs has recommended that an apex body — to be called the 'Tea Authority of India' — be constituted to monitor the working of the Tea Trading Corporation of India (*BS*).

JUNE 2

Maruti Udyog Ltd. has increased the prices of its vehicles by a margin ranging from Rs. 5,800 to Rs. 8,800 per vehicle with immediate effect.

The Maruti 800 will now cost Rs. 63,900 (ex-factory) against Rs. 57,850 earlier. The deluxe model will cost Rs. 93,800 and the Gypsy van Rs. 94,900.

JUNE 3

The ministry of agriculture has constituted a committee on power driven agricultural machinery to recommend measures that will ensure economic production of quality agricultural machinery (*ET*).

JUNE 4

In a dramatic and swift political development, Haryana chief minister Bhajan Lal resigned, and the Union transport minister Bansi Lal was unanimously elected as the chief minister of the state.

The Union government has agreed in principle to exempt six preparations of psychotropic substances from the purview of the Narcotics Substances Rule (1985).

JUNE 5

The Minerals and Metals Trading Corporation has succeeded in clinching a wheat export agreement with Jordan. According to the agreement, India will export 50,000 tonnes of wheat to that country by July 1986 (*FE*).

JUNE 6

While inaugurating the 60th annual general meeting of the Indian Chamber of Commerce at Calcutta, the Union finance minister V.P. Singh said that trade and industry must undertake research and development programmes seriously and cut down costs of production.

JUNE 7

The commerce minister has finalised a plan of action to boost exports during 1986-87. Engineering, agriculture, processed foods, gems and jewellery, marine products, chemicals, minerals, ores, project exports and consultancy are among the major sectors identified for receiving special incentives to increase the volume of exports (*BS*).

JUNE 8

The Union commerce ministry has announced a new policy package to boost exports of gold jewellery. This includes a provision to compensate producers of jewellery for the loss of gold during manufacture at international prices. The loss compensation that will be allowed will be equivalent to 3% of the weight of gold in the case of finished studded jewellery and 2% in other cases (*ET*).

JUNE 9

In a significant shift in its stand, the Association of Indian Engineering Industry has decided to have an open dialogue with the government on what should be done to set up projects in backward areas (*FE*).

JUNE 10

The Union finance ministry issued a notification prohibiting the conversion of non-convertible debentures into equity shares. The notification has pre-empted the proposed conversion of the E and F series of debentures of Reliance Industries Ltd. into equity shares.

JUNE 11

The finance minister V.P. Singh announced a package of excise and customs duty relief involving a revenue sacrifice of Rs. 100 crores. Some of the industries which will benefit from these concessions are electronics, medical equipment, woollen fabrics, mica and carpets.

JUNE 12

The India Fund, an investment trust promoted by the Unit Trust of India in collaboration with Merrill Lynch Capital Markets, has decided to enter the London city market with an offer of shares aggregating to £60 million (Rs. 111 crores).

JUNE 13

The Union government has decided to set up a specialised agency to upgrade technology in the small-scale sector (*ET*).

BS=Business Standard, ET=The Economic Times, FE=Financial Express

NEXT FORTNIGHT

June 26 to 28, 1986
Presentation skills
Venue: New Kenilworth Hotel, Calcutta
Organisers: Calcutta Management Association (Tel: 432073)

June 27 & 28, 1986
Human resources development and manpower planning
Venue: Hotel Chola Sheraton, Madras
Organisers: Madras Management Association (Tel: 478311)

June 28 & 29, 1986
Performance excellence through applied motivation
Venue: Narsee Monjee Institute of Management Studies, Bombay
Organisers: Narsee Monjee Institute, Bombay (Tel: 572928)

June 30, 1986
Course in COBOL
Venue: Rolta Bhavan, Bombay
Organisers: Rolta Computers, Bombay (Tel: 212846)

June 30 to July 12, 1986
Materials management-44
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad (Tel: 36956)

July 4, 1986
Materials management
Venue: IIPM, Calcutta
Organisers: Indian Institute of Port Management, Calcutta (Tel: 451091)

July 8, 1986
Communication skills via public speaking
Venue: Centaur Hotel, Bombay
Organisers: Bombay Management Association (Tel:245039)

July 11 & 12, 1986
Creative applied thinking for managers and executives
Venue: Hotel Oberoi Towers, Bombay
Organisers: The Indo-American Society (Tel: 2044883)

APPOINTMENTS

BPL-INDIA

BPL-INDIA is a fast growing organisation in the electronics industry in India. The Group's activities cover six product areas: Computers, Communication Systems, Components, Instrumentation (Industrial, Medical & Measurement), Office Automation and Consumer Electronics.

To be in constant touch with the dynamic electronic industry, we require the following Personnel to strengthen our Market Research cell.

ASSISTANT MANAGER - MARKET RESEARCH BANGALORE (AM-MR/B/86)

The candidate should hold a Master's/Bachelor's degree in Statistics or an MBA with specialisation in Market Research. He should have had at least 4/5 years' supervisory experience in designing and conducting market research studies. Exposure to the consumer durable environment is essential. In addition, he should have exposure to computer oriented analysis techniques. The candidate should presently be working in the Market Research department of a reputed company or in a Market Research Organisation.

The job would involve assisting the Market Research Manager to build up data banks, identify and conduct specific field studies and interface with external Market Research organisations.

EXECUTIVE/OFFICER - MARKET RESEARCH BANGALORE (E/O-MR/B/86)

The candidate should hold a Master's/Bachelor's degree in Statistics or an MBA with specialisation in Marketing. He should have had 2/3 years' experience in a Market Research environment. The candidate should be strong in quantitative techniques of Market Research and should have hands-on experience in computer oriented information analysis. He would be required to independently conduct surveys and analyse market data.

EXECUTIVE - TECHNICAL EVALUATION BANGALORE (MRE-TE/B/86)

Candidates should be 1st Class Electronics Engineers with 2/3 years' experience in the manufacturing process of electronic products. Job would involve techno-commercial evaluations of electronic products and value analysis. A typical candidate would have comprehensive technical knowledge and is now looking for openings in marketing oriented functions.

Salary for all the above posts will be commensurate with qualifications and experience.

Apply within 10 days enclosing a recent passport size photograph to the address mentioned below and superscribe the envelope with the appropriate reference number.

British Physical Laboratories India Limited
84, M.G. Road,
BANGALORE-560 001.

APPOINTMENTS

WELCOMGROUP
(THE HOTELS DIVISION OF ITC LTD.)
REQUIRE
SENIOR MARKETING PERSONNEL

Welcomgroup, the fastest growing chain of luxury hotels in the country, invites dynamic men and women to join its marketing team. We are looking for people with drive and talent to successfully market our hotel chain and maintain its position of leadership. Candidates should have outgoing personalities and proven marketing skills. They should be interested in travelling and be willing to be posted anywhere in the country.

JOB POSITIONS: We are looking at positions in our middle and senior levels of the marketing structure so as to gear ourselves for future expansion. These include positions in Hotel Sales, Regional Sales Offices and Headquarters, Marketing.

JOB CONTENT: We offer a comprehensive marketing approach in all positions, including developing marketing plans, maximisation of revenue against targets, product formulation, promotional activities, market research, etc.

QUALIFICATIONS: We prefer MBAs with 5-10 years experience in consumer products or services marketing, with at least two years in middle management levels.

REMUNERATION: Compensation packages are negotiable depending upon qualifications and experience. Benefits will include Provident Fund, Gratuity, Pension, Leave Travel Assistance, Medical Benefits and Company Accommodation.

NOTE: Candidates who have already applied against our recent advertisements in prominent trade magazines and newspapers need not apply again.

Applications and the envelopes should be superscribed with **"MARKETING POSTS"** and forwarded in strict confidence within 10 days to:

Director
Manpower Development,
Welcomgroup Headquarters,
C/o Welcomgroup Maurya Sheraton,
Diplomatic Enclave,
New Delhi-110 021.

ITC-9114

APPOINTMENTS

INDIA PISTONS LIMITED

A pioneer in the field of Piston Assembly manufacture, India Pistons enjoys the reputation of being a leader in technological innovation directed towards excellence in product performance. A dynamic institution with a sizable market share and ambitious growth plans, the Company has in its Engineering Division at MADRAS a vacancy for the position of:

DIVISIONAL MANAGER — R & D

(REF: DM/P/86)

This is a senior position The incumbent would be expected to guide the Research & Development activities of a team of qualified Engineering personnel in the R&D Division of the Company. He would be accountable to the General Manager (Engineering & Projects)

Candidates with Post-graduate qualification in engineering, preferably a doctorate in the relevant field and a position at a senior level in an Engine Research Institution or in the R&D Division of an automobile manufacturing unit are most likely to meet the requirements of the position. Specific exposure to piston assembly component design would be a distinct added advantage.

Age: Around 40 years.

An attractive pay package with salary and perquisites commensurate with experience would be offered.

Apply in confidence within 15 days with complete Bio-data superscribing the envelope with the Ref. No. to:

Management Services Division
INDIA PISTONS LIMITED
Huzur Gardens,
Sembiam, Madras-600 011.

APPOINTMENTS

bajaj electricals limited

require

VICE PRESIDENT
(Marketing)
BOMBAY

We are a progressive and professionally managed Company, marketing consumer durables, like lamps, tubes, lighting, fittings, domestic electrical appliances, fans, pumps & engines etc. We are a part of the Bajaj group and our sales turnover this year will be around Rs.75 crores. We have a strong marketing infra-structure and an extensive distribution network.

The incumbent will report to the Managing Director and will be in charge of the marketing operations of the company which would include product planning, procurement, vendor development, quality assurance, pricing, sales promotion, after sales service, advertising, market research, etc. His primary responsibility however would be formulation of marketing strategy, introductions of new products, and timely supplies. He will coordinate with Vice President (Sales) and operate through a strong team of Senior Managers at the Corporate Head Office, and play a key role in setting and achieving the short and long term objectives of the Company.

The Candidate should be a Mechanical Engineer/Electrical Engineer preferably with an M.B.A. degree. He should be a top flight marketing professional with a flair for general management. He should be result and profit oriented, leader of men, motivator, visionary and have an innovative and entrepreneurial approach, with a strong financial background. Preferred age 40-45 years.

The remuneration package will be structured to attract the best available talent in the country. Please apply in strict confidence within 10 days to Managing Director, Bajaj Electricals Limited, 51, Mahatma Gandhi Road, Bombay-400 023.

bajaj

APPOINTMENTS

CHIEF EXECUTIVE

Mini Steel Plant

Required a dynamic person with minimum 7 years top level experience in any engineering works to take on a challenging assignment. Commercial and financial experience necessary. Very attractive terms.

Apply Box 517, BusinessWorld, Calcutta-700 001

AMRIT BANASPATI COMPANY LIMITED

Requires
(For its Corporate Office at Ghaziabad)

GENERAL MANAGER - DIVERSIFICATION

Ours is a progressive Company engaged in the manufacturing & marketing of edible oils, Soap and Paper with an annual turnover of more than Rs. 100 crores.

This is a new position as the Company is seriously thinking of diversification in various areas of plastics and chemicals. The incumbent would be a part of the top management team responsible for long term corporate planning, identifying areas of diversification, evaluating projects from the point of investment and future growth of the Company. This would also involve pursuing foreign collaborations where required and ensuring Government clearances.

The incumbent should preferably be a qualified Chemical Engineer in the age of group of 40-45 years with around 10 years of experience in Corporate Planning and diversification.

Apart from the salary which is negotiable the position carries perquisites of Housing, Car, Leave Travel Assistance, Medical reimbursement etc. The incumbent drawing around Rs. 5000/- per month need only apply in strict confidence giving details of age, experience, salary drawn and expected, within 10 days to :

The Jt. Managing Director
Amrit Banaspati Company Ltd.,
G.T. Road, Ghaziabad - U.P. - 201 012

BusinessWorld
June 23—July 6, 1986

Towards purposive elitism

ARUN GANDHI



Last week, a novel idea was mooted at a press conference held at the Wellingdon Catholic Gymkhana in Santa Cruz, Bombay. That none of the national dailies considered it worthy of mention is rather disappointing because I believe all ideas need to be debated by the public before they are discarded by politicians. What was said at the press conference may not be feasible but then very few sensible ideas are.

The press conference was addressed first by Ramakrishna Keny, chairman of the improvements committee of the Municipal Corporation of Greater Bombay, and then by Victor deMellow, general secretary of the Wellingdon Catholic Gymkhana. I believe this idea originated in the mind of deMellow, an individual who is totally committed to youth, to sports and to the poor. He roped in Keny primarily to give his idea some veracity and to induce the corporation to take some action.

The idea was that the grounds of the sports complexes — the National Sports Club of India, the Cricket Club of India, the Cooperage Football ground and the Wankhede Stadium — should be seized by the corporation. Outrageous? Perhaps, and more so because the interests of the rich are involved. But consider the facts.

HEALTHY PURSUIT

On the one hand we have a growing number of young people who lack recreational facilities. Of the schools in the city of Bombay, 90% lack the basic facilities of a playground, and this is probably true of the rest of the country as well. The children are cooped up in their classrooms all day and in their homes all night. By the time they get back home and are through with their homework and other chores, it is too dark for them to play. After all, they must give vent to all their pent up energy and if they can't do so in the healthy pursuit of sports they are certain to find other unhealthy ways of doing so.

Severe climatic conditions, the lack of facilities, poverty and several other factors make it impossible for young people to indulge in sport however much they may want to. The clubs and gymkhanas in the city cater to only 5% of the population who can afford their steep membership charges. The others are barred from even entering the premises.

Yet, the land on which these clubs have been built has been given to the clubs on nominal leases of Re. 1. Is this justified? Take the National Sports Club of India (NSCI) for instance. The club has suzerainty over vast open spaces, a mammoth stadium and a plush club house. The grounds are so big they could have four football matches going on at the same time but instead they are usually used for three simultaneous wedding receptions. Each reception earns the NSCI a tidy sum of Rs. 11,000-Rs. 33,000 per night during the wedding season which is almost round the year in Bombay.

All this money is earned on the land it has acquired from the municipal corporation on a nominal lease payment on the premise that it would promote sport. But the only sporting activity that takes place at the NSCI, if, indeed, one can call it sport at all, are the wrestling bouts organised once a year.

The Cricket Club of India (CCI) is not any different. A mammoth sports stadium in the heart of South Bombay is lying largely unutilised because a few egos needed boosting. Much has already been written about this subject and it is quite well known that the Wankhede Stadium would never have come up if it hadn't been for the political clout that Mr. Wankhede wielded. But that is old hat now. The issue is, the CCI has vast facilities which are wholly under-utilised. The club management does not permit any sporting activity there except when some foreign teams are playing exhibition games.

The Cooperage football ground is no better. Though the club earns a phenomenal amount of money from wedding receptions, the facilities it provides for football are pathetic. The ground itself is miserable, and, as someone put it sarcastically, fit only to hold Reliance shareholders' meetings.

One may argue that it is the members of the clubs who have spent the money to build the infrastructure and therefore, their right to reserve admission only to members is sacrosanct. No one denies this, but in a country like ours where poverty is pervasive and not all who love sports can become members of elitist clubs, it is also the duty of the affluent to share what they have in a limited sense.

No harm will be done to the club house, for instance, if the CCI floodlit the grounds in the evenings and organised sports for the people. Limited overs cricket for neighbourhood teams, athletics for school children, football tournaments and rink hockey are some of the games which can be organised. Both participation and spectating would become enjoyable pastimes for everyone living around the area.

GALA TIME

The Wellingdon Catholic Gymkhana has made a start in this direction. The gymkhana has erected floodlights on the adjoining municipal ground at its own expense and switches them on every evening for the benefit of the club's neighbourhood. In addition, the club organises and supervises games and tournaments and every week the neighbourhood teams have a gala time participating in all sorts of sport. The gymkhana bears the cost of the lighting and allows the teams to use some of the club's facilities.

It is a marvellous beginning and the measure of good it can do for the poor people of the city if all the clubs emulated this practice is incalculable. It could also save young people from indulging in anti-social activities. Yet, to say that this alone will keep the youth away from drugs may be wishful thinking, but it would certainly lessen the incidence of addiction if the young are absorbed in healthy activities they enjoy. Sport for the people is a laudable objective but unfortunately when one talks of sports today the reference is usually to the Olympic games or the Asian games. It would seem as though facilities must be created only for those who show promise of becoming world beaters. As though others don't need to play games at all!

I don't think this idea is worthless. I may not entirely agree with the viewpoint that these grounds must be forcibly seized, but certainly attempts must be made to reason with the managements of these clubs to show greater awareness of the needs of the poor people of the city. Only if they remain intransigent should the corporation contemplate more drastic action such as the revocation of the leases of their grounds. One may well ask if factories can be nationalised by the government, supposedly for the benefit of the people, why can't such expensive sports facilities also be nationalised in the interest of the poor?

A bright star in the world of Captive Power

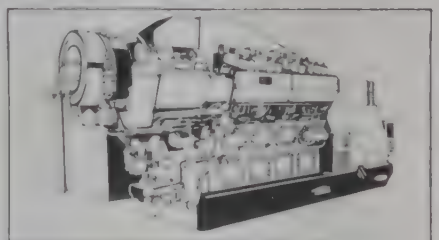
Diesel Generating Sets

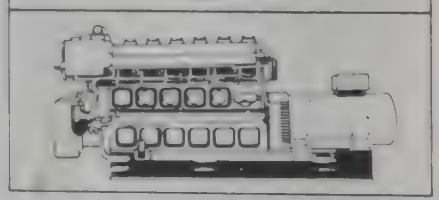
SKL engine VDS 24/24 AL-1—now with a low fuel consumption of 146 gm/Bhp.

6 Cylinder in-line Engines with 1050 KVA alternator
8 Cylinder V-type Engines with 1450 KVA alternator

Unique features:

- Modern 1000 RPM Engine.
- Low weight to power ratio
- Resilient mounting on common bed-plate
- Common interchangeable & easily available spare-parts
- Suitable for round-the-clock operation
- Possibility of starting on mains failure with additional peripheral equipment
- Readily available on rupee payment against actual users licence
- Associated equipment and services supplied from India





Manufactured by
VEB SCHWERMASCHINENBAU
KARL LIEBKNECHT
MAGDEBURG.

Exported by
TechnoCommerz
Volkseigener Außenhandelsbetrieb
DDR-1086 Berlin

Sold & Serviced in India by
KANUBHAI ENGINEERS LTD.

- Sir RNM House, 3B Lalbazar Street, Calcutta 700 001
  Phones 222282 • 238507 • 238508 Telex 021-3532 Gram INDENTERS
- 117, Bajaj Bhavan, Nariman Point, Bombay-400 021.
  Phones: 2023237 • 2023320 • 2026718 • Telex: 011-4763. Gram: TEKNOWELD
- 30, Motia Khan, Jhandewalan Road, New Delhi 110 055
  Phones 775079 • 774072 Telex 031-61631 Gram WELDTEKNIK
- 5, Smith Road, Madras-600 002. Phones. 811554 • 811555.
  Telex: 041-6932. Gram: WELDTEKNIK.

SGS KE 5/86

BusinessWorld
June 23—July 6, 1986

BANKING AND FINANCE — RAVI R. SINGH MEHTA

European bankers' rating

There is an association of European banks in Benelux, France and West Germany named ABECOR. Its primary objective is to improve the services that each individual member is able to offer its customers by developing banking and financial norms on the basis of mutual cooperation. ABECOR publishes an annual survey report on several countries. In February 1986 it published its latest survey report on India and this article highlights its observations.

On the political situation the ABECOR report says, among other things, "A major cabinet reshuffle and ministerial reorganisation took place last September, reflecting the prime minister's move towards implementing extensive economic reforms and adopting a more open style of government." The report notes that there is an attempt to improve relations between India and Pakistan and to promote intra-regional collaboration and mutual assistance in the economic, cultural, technical and scientific fields by setting up a seven-nation South Asian Association for Regional Cooperation (SAARC).

Widening deficit. On the economic situation the report comments: "Due mainly to rising agricultural production, real economic growth remains strong, while inflation is falling. However, because of import liberalisation, the trade deficit is widening." ABECOR's forecast is that with an expected rise in agricultural as well as industrial output, real GNP growth of around 4%-5% is likely this year.

The survey reports on the various sectors of India's economy too, besides commenting on the economy as a whole. About the performance of the agricultural sector, the report confirms that improvements in irrigation, increased use of fertilisers and pesticides together with high yielding varieties of seeds and greater availability of agricultural credit have enabled India to become self-sufficient in foodgrains production.

It notes however that the agricultural sector still plays a major role in the nation's economic performance. Therefore, whenever foodgrains production falls — as happened in fiscal 1984-85 (a fall of 4% to 146 million tonnes) — economic growth follows suit. In the recently concluded year as well, stagnation in the agricultural sector has pushed the rate of GDP growth down to less than 4%.

It also notes that Indian industry is saddled with largely obsolete technology because of a political commitment to self-reliance which has deprived industry access to up-to-date imported technology. But now a series of reforms have been initiated such as the removal of bureaucratic controls, encouragement of investment, reform of the industrial licensing policy, liberalisation of some imports and publication of a new long-term fiscal policy which are likely to improve the performance of the industrial sector.

But import liberalisation is adversely affecting the external position of the economy, notes the report. In the recently concluded fiscal year, imports increased substantially without a corresponding rise in exports. Moreover, inward remittances are falling and the interest payment burden is becoming heavier. Although the country's foreign exchange reserves fell by over US $300 million between April and August last year, they were still sufficient to provide around five months' import cover. About India's poor export performance, according to the report, there are two factors responsible for it: infrastructural bottlenecks and years of protectionism.

Gradual reform. On the subject of fiscal management and planning, the report says that partly as a result of an attack on the parallel economy, government receipts from taxation are estimated to have increased significantly. It notes with approval that there is a gradual reform of the fiscal structure involving *inter alia* the rationalisation and simplification of laws and procedures relating to direct taxation, the initiation of measures against tax evasion and the introduction of MODVAT.

And on the subject of economic planning, its view is that with the increase in average annual growth in real GDP to 5.2% in the Sixth Plan the traditional trend rate of a GDP growth of 3.5% has been discontinued. Nevertheless, the ABECOR report is of the opinion that the attainment of the targets envisaged in the Seventh Plan is contingent upon the continuing inflow of foreign aid and the vagaries of the weather.

STOCKMARKET

Fundamental weaknesses

Time was when the Indian stockmarkets were considered to be a fairly safe bet for the investor's money. And strangely, it was a mere three months ago when one of the longest bull phases in the history of the Indian stockmarket went bust in the wake of the presentation of the Union budget for fiscal 1986-87. Since then, share prices have moved up and down, see-saw fashion, against a basically bullish trend, yet one which is hard to predict and act upon.

Indeed the share price indices have become erratic and ultra-sensitive in recent weeks with the most unlikely cause resulting in sharp upward or downward swings. The inevitable consequence of this trend is that investors are no longer confident of placing their savings in the stockmarket either for the purposes of investment or as a hedge against inflation.

The recent (10th June) notification issued by the Union finance ministry prohibiting the conversion of non-convertible debentures into equity shares has only reinforced this sentiment. The announcement was made one day before the board of directors of Reliance Industries Ltd. (RIL — sales: Rs. 711.35 crores in the year ended 31st March 1985), the Bombay-based textile giant, was scheduled to ratify a proposal to convert the company's E & F series of debentures with an aggregate face value of Rs. 370 crores into equity shares. When they were first issued, the E series was designated as a partially convertible debenture issue while the F series was issued as non-convertible bonds.

Yet, RIL had earlier received the sanction of the controller of the capital issues to convert the non-convertible portion of partially convertible debentures and the whole of the non-convertible debentures of the company's C & D series of debentures into equity shares. The company's board of directors was therefore not surprisingly inclined to believe that conversion of the E & F series would be permitted as well.

Rude surprise. The government order prohibiting the conversion thus came as a rude surprise, and the market price of RIL's E & F series debentures both crashed from Rs. 220 and Rs. 210 on 9th June to Rs. 110 each two days later. An

estimated 1.2 million investors in RIL bonds have been battered and bruised as a consequence, even as hundreds of speculators acting on their own behalf, and reportedly on behalf of the RIL management, suffered sizeable losses. The market prices of both series of debentures had been pushed up from the Rs. 120 level only weeks before the government's notification, in anticipation of their conversion into equity shares.

According to a series of newspaper reports in the *Indian Express* in May and June, the RIL top management has been buying up the portion of the company's debenture issue which had been offered for public subscription in 1983 and 1984, through the intermediacy of controlled subsidiaries which have borrowed heavily from the banking sector for speculative purposes (see *BW*, Business News, June 9-22).

In retrospect, it is apparent that the purchases were made with the foreknowledge that the two debenture series would be converted into equity shares. But for the notification banning the conversion of non-convertible debentures into equity shares, the buyer subsidiaries acting on behalf of RIL would have gained more than Rs. 100 per debenture (face value: Rs. 100 each) had the conversion been effected, because the company was reportedly proposing to convert three debentures (with an aggregate market value at the highest quoted price of Rs. 660) into two equity shares with an aggregate market value of Rs. 776 as on 9th June.

Important questions. Yet from the investors' point of view, both the recent nervous tendency within the stockmarket — which is also attributable almost entirely to the see-saw motions of government policy and intervention — and the Reliance debenture fiasco raises a host of troublesome if important questions. These questions pertain to the ills that have plagued the Indian stockmarket for a long while and which continue to periodically destabilise the stock exchanges even today.

With the state-owned financial institutions (IDBI, ICICI, LIC, GIC, UTI, etc.) having emerged as major investors in the Indian stockmarket — according to one estimate the seven major state-owned financial institutions together own equity and other corporate securities with a current market value of Rs. 7,000 crores — the usually concerted buying and selling policies of these institutions have become a major determinant of market prices of scrips. Yet, contrary to their brief of intervening in the stockmarket to prevent widespread fluctuations of equity prices in the interest of small investors, the financial institutions have hitherto tended to intervene almost exclusively in their own more limited interests even as they have acted in tandem and in violation of the anti-monopoly laws which apply to Indian private sector companies. Indeed, according to stockmarket monitors, the sharp fluctuations in the market prices of more than a few actively traded scrips are closely correlated with the large-scale transactions made by the financial institutions in respect of these scrips.

But far more seriously, the financial institutions must be held responsible for aiding and abetting the growth of kerbside (or unofficial) stockmarket operations by negotiating large transactions in premises beyond the floors of the stock exchanges. Thus even as the institutions make large interventions in the stockmarket without these transactions being recorded by the stock exchange authorities, the official stockmarket invariably reacts to kerbside fluctuations and follows suit. But while kerbside transactions cannot be brought under the purview of the corpus of corporate laws, they have the effect of destabilising the stockmarket and often of precipitating payment crises in the wake of large-scale rumour and speculation-induced transactions on the kerbside.



Trading in the Bombay stock exchange: kerbside trading is as active

Insider trading. Yet another issue that follows as a direct consequence of the state owned institutions having acquired vast holdings of equity shares is the threat of insider trading. Since representatives of financial institutions serve on the boards of a large number of companies by virtue of the equity holding of the institutions, they are amongst the first people to become aware of the operational results of these companies and of decisions regarding the issue of bonus shares, dividends, rights issues of equity and debentures, etc.

Comments one senior and highly respected financial consultant who declined to be identified by name, "Institutional representatives are today the single most important source of insider information and a large number of these representatives use insider information to make transactions in the stockmarkets on their own behalf."

Despite this being a relatively well-known fact, the directors of the stock exchanges who are duty bound to ensure that the stockmarket operates according to the law of the land, have not yet charged even a single violator and needless to say, have prosecuted no one either.

In this context, the tendency of the government and its wholly owned financial institutions to make decisions which run counter to prevailing market expectations without compelling and justifiable reasons — as in the Reliance debenture fiasco — provides cause for considerable concern. Such decisions, apart from fuelling rumours of political vendetta against specific companies, inevitably increases the scope for insider trading.

Related to the issue of insider trading by representatives of the financial institutions is the almost equally rampant insider trading by corporate managers who are also privy to insider information and decisions. For instance, it is hardly a secret that the RIL top management, acting through a host of *benami* investment companies has consistently intervened on a large scale in the markets either to chalk up large capital gains or to shore u

BusinessWorld
June 23—July 6 1986

investor confidence in the company's scrips by safeguarding them against the raids of hostile bear operators. Yet, there is no law which prevents the managers of the company from purchasing the company's own securities from the market or of making large scale interventions in the market for any reason.

Similarly there is no law against the private placement of shares from the promoters' quota, a practice which has become widespread now. The practice has attracted more than a little criticism in recent times because stockbrokers acting in tandem with promoters have tended to offer such shares to investors at substantial unofficial premia which investors quickly discover are substantially or almost entirely unwarranted.

Misused practice. Comments Nimesh Kampani (39), chairman and managing director of the Bombay-based JM Financial Consultancy Pvt. Ltd., "Though the private placement of corporate securities is a common and accepted practice in the more developed countries of the world, the manner in which it has been misused in India is worrying. Brokers charge large premia for making private placements instead of charging the normal 1%-5% commission or brokerage charge. But the problem has assumed serious dimensions because the premia on such privately placed shares are manipulated and the gullible investor invariably loses in the process." Kampani is however convinced that this particular phenomenon will die a natural death because brokers who earn the wrath of investors will be quickly forced out of the business.

Yet against the background of the fact that the Union government has targeted an investment of Rs. 1,68,000 crores by the private sector during the Seventh Plan, at least a quarter of which will have to be mobilised through the capital markets, the continuing ills of the Indian stockmarket offer little comfort. More than a few monitors of the stockmarket in the country are inclined to predict the onset of a major Singapore-style stockmarket crisis in this country if urgently needed stockmarket reforms are not enacted quickly.

Yet, the tragedy is that the recently constituted G.S. Patel Committee on stockmarket reforms which has already submitted its 13 part report to the Union finance minister has failed to address many of these issues with more than passing attention, particularly issues pertaining to the manner in which the state owned financial institutions intervene in the stockmaret.

Thus, even as stockmarket pundits predict a secular downtrend in equity values after a short bullish phase perhaps lasting till the last quarter of 1986, the possibility of a serious crisis undermining the Indian stockmarket system as a large number of investors incur substantial losses during the downtrend, now looms larger than ever.

Michael Neri in Bombay

AGRICULTURE

CFTRI soldiers on

In recent times there has been a spate of entrants into the fast growth processed foods market in the country. The reason: urban India is going 'instant.' Convenience foods, fruit juice concentrates, exotic edible oils and a host of other processed foods, cram the shelves of grocery stores. Parading under a plethora of brand names, these products which are packaged to tempt are usually pushed by hard-sell advertising. There is obviously no want of custom going by the number of enterprises sprouting all over.

Yet, it is perhaps a little known fact that the technology that has made much of this possible comes from an institute located at a sprawling site in the town of Mysore — the Central Food Technological Research Institute (CFTRI), which will turn 36 years of age on 21st October. An organisation under the administrative control of the Council of Scientific and Industrial Research, CFTRI is perhaps the largest institution of its kind in the world: an internationally recognised centre for research, development and training pertaining to the post-harvest technology of foods.

A major objective of the institute is to ensure that the technology developed by it reaches various users: individual entrepreneurs, established industrial concerns and government agencies. At the last count, CFTRI had developed over 130 processes and techniques for industry and other users. More importantly, a significant number of these processes have been commercialised. A landmark achievement for CFTRI was the development of a technology for producing infant food from buffalo milk, which was previously believed impracticable. The process revolutionised the baby food industry in India, eventually leading to the suspension of all imports.

Household name. In the commercial sector, the Amul brand of baby food based on the CFTRI formula quickly became a household name. Other brands followed

SUNDAY
The best reporting



From the Ananda Bazar Group of Publications

First again in a Hi-Tech field



Garware Plastics & Polyester 15% Rights Secured Debenture Issue

Right since the 40's when they pioneered the use of plastics in India upto the 80's when they introduced their unique, highly successful Sun Control film, Garware Plastics & Polyester have always been pioneers in the field of high technology

Continuing this tradition of trail blazing, the Company will soon enter the field of electronics Garware Plastics & Polyester will be the first Company in India to manufacture Video Tapes, Computer Tapes, Floppy Disks and Audio Tapes right from the raw material to the finished product.

To finance this new project and to modernise existing plant and machinery, Garware Plastics & Polyester Ltd. is offering 22,00,000 15% Secured Non-Convertible Debentures of Rs 100 each for cash at par aggregating to Rs.22 crores on Rights Basis to its Resident Indian Equity Shareholders

ISSUE HIGHLIGHTS:

★ Choice between two interest payment schemes
- — Return of 227.55% in 9 years under the Cumulative Interest Payment Scheme.
- — Interest @ 15% per annum payable half yearly in the Non-Cumulative Interest Payment Scheme

★ Review of interest and other monetary benefits
★ No tax deduction at source on interest upto Rs 1000 per annum
★ Interest right from date of realisation of application money
★ 5% premium on redemption
★ Fully secured and guaranteed buy-back at par after one year
★ Easy Liquidity (Listing on Bombay Stock Exchange)
★ Debentures declared as 'Public Securities' by the Government of Maharashtra. The Charitable Trusts in Maharashtra can apply for the Debentures without obtaining the specific prior approval of the Charity Commissioner

★ **FUTURE CONVERSION INTO EQUITY**

The Company reserves to itself the option of converting a part of the Debentures into fully paid equity share(s) in one or more lots, with or without premium at any time prior to redemption by adjustment and appropriation of the Debentures in accordance with the guidelines on such terms and conditions as may be decided by the Board, subject to such approvals as may be necessary. The Debenture-holders will however be free to exercise this right.

227.55% Return Guaranteed in 9 years*

* Under Cumulative Interest Payment Scheme.

ISSUE OPEN FROM 28th MAY 1986 TO 16th JULY 1986

Managers to the Issue

J. M. FINANCIAL & INVESTMENT CONSULTANCY SERVICES PVT. LTD
Merchant Banking Division
141, Maker Chambers III
Nariman Point, Bombay 400 021

THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA LTD.
Merchant Banking Division
163 Backbay Reclamation
Bombay 400 020

GARWARE PLASTICS & POLYESTER LTD.
Sales and Administrative Office
50-A, Swami Nityanand Marg, Western Express Highway, Vile Parle (East), Bombay-400 057
Registered Office: L-6 Chikalthana Industrial Area, P.O. CIDCO Colony, Aurangabad 431 003

GARWARE गरवारे

Garware Plastics & Polyester Ltd.

and now, a new spray-dried milk food for infants, developed by CFTRI, has entered the market. Manufactured and marketed under the brand name of Milk Care by Dalmia Industries, New Delhi, the product is reportedly similar in composition to breast milk when reconstituted with water.

And but for CFTRI, a variety of convenience foods, including dry, ready-mix powders for making popular dishes such as *idli, dosa, vadai, jelebi, sambar* and *rasam* would have remained practically unknown to the urban housewife outside the region where these foods are commonplace. Yet another innovation, a dry mango and lime pickle mix, which needs only to be mixed in water and kept overnight to ready, will be entering the market shortly, thanks again to CFTRI knowhow. According to Dr. M.V. Patwardhan (59), area coordinator for fruits, vegetables and plantation crops at the institute, the country today is producing more fruits and vegetables than before, but the quantity processed is still small — less than 1%.

The main problem of the fruit processing industry is that fruits and vegetables of the right kind, i.e. in terms of standardised quality, are not available. Unlike the West, India has not developed varieties of fruits and vegetables exclusively for processing. The choice is therefore restricted to what is available. "We are concentrating our efforts in developing products that will suit Indian palates, and recognising the growing consumer preference for fresh fruit juices, we have established new possibilities for a wide range of seasonal surplus fruits for making products such as clarified grape and lime juices and beverages, juice powders, fruit bars (semi-dried pulp) and fruited cereal flakes. We also endeavour to incorporate natural colours extracted from the fruits and vegetables themselves into processed foods," says Patwardhan.

Distinct feature. Apart from fruit bars and instant pickles, Patwardhan and his team have come up with a communuted beverage base for orange and mango.The distinctive feature is that the whole fruit, excepting the seed, is used to make the beverage base, thereby increasing the juice yield. Beverages based on cashew, cashew-pineapple and cashew-lime juice blends have been developed recently and are expected to be out in the market shortly. Simple, inexpensive methods to prolong the storage life of various fruits, vegetables and eggs have been evolved. Work is also underway to find ways of storing potatoes without them spoiling in farmers' fields for two to three months after the harvest.

Developing new uses for farm products apart, CFTRI also undertakes turnkey projects. One such is a Rs. 2.5 crore plant to process 50 tonnes of tomatoes per day for the Bihar Fruits & Vegetables Development Corporation. The plant, which has already commenced production, is expected to attain full capacity next year.At Abohar in Punjab, a modern fruit processing unit,capable of processing over 50 tonnes of oranges and 10 tonnes of tomatoes per day, has been recently commissioned with technical assistance from CFTRI. The fruit and vegetable technology division of the institute has also developed and is now in a position to offer, for commercial purposes, knowhow for the manufacture of papain and pectin, used in the food and drug industries; and citrus peel oil used in aerated water and confectionery industries.

CFTRI is also credited with pathbreaking research on the utilisation of oilseed cakes for the production of cheap, protein-rich foods for the poor. Oilseed cakes, rich in protein, were earlier mostly exported as cattle feed. The harnessing of readily available oilseed cakes for the production of protein-rich foods is a major CFTRI contribution to combat malnutrition among children, pregnant women and nursing mothers from low income groups. A development for which the institute won an international award is a protein-packed milk-like drink based on protein isolate and whole milk, produced by the state-owned Bangalore Dairy and at Cochin and Hyderabad under the aegis of the Food and Nutrition Board of India. The success in the utilisation of oilseed protein in nutritious foods can be gauged from the fact that groundnut proteins have completely displaced the milk content in malted beverages made in India.

Cheaper proteins. "Vegetable proteins are inferior to animal proteins but by appropriate supplementation their nutritional quality can be improved. They are much cheaper than animal proteins though, and with improved processing methods edible oil-free flours can be produced from oilseeds and used along with cereals and legumes as a food supplement. During the last 30 years, our efforts have been directed towards a study of the physico-chemical properties, processing behaviour and nutritional quality of oilseeds, oils and oilseed flours; and to produce nutritious but inexpensive foods," says N. Subramanian, the highly respected area coordinator for oilseeds technology at CFTRI.



The palatial CFTRI premises in Mysore: path - breaking research. Inset: Patwardhan

The institute, over the years, has developed a number of low-cost nutritious foods based on cereals, millets, tubers and oilseed flours. These include weaning foods for children between six months and five years; ready-to-eat energy foods which can be made from locally available raw materials; a so-called multi-purpose food, a blend of groundnut and bengal gram flours fortified with vitamins and minerals and speciality foods such as high protein biscuits, toffees and chewy candies — all being commercially produced today.

"Most of the products developed are

Since its launch, Finesse 4515 has had an average uptime of 90%.

In fact, 90% of installations have had an uptime of 90% and above.



Since its launch in April 1984, Finesse 4515 has become the single largest selling plain paper copier. And with good reason.

90% average uptime: the service factor.

HRL's service centres are geared to answer your SOS in 24 hours. Across a network spanning 93 cities and towns.

The case history of every copier is maintained on a computer. If uptime falls below 90%, the computer sounds a Red Alert.

But HRL firmly believes in the old adage: prevention is better than cure. So whether you ask for it or not, your machine gets a head-to-toe checkup regularly.

So it's no surprise that Finesse 4515 has a track record of 90% average uptime.

A major reason why people who become our customers stay our customers.

Designing for longer life: the reliability factor.

Finesse 4515 has been designed and engineered for long-term reliability. Microchip circuits that live to a ripe old age. And very few damage-prone switches or controls — most of the adjustments are automatic, leaving little room for human error.

Critical components for Finesse 4515 are already being made right here in India. At HRL's modern manufacturing facilities. To Toshiba's ruthless tolerance specifications and exacting quality standards.

And one thing is certain: Your Finesse 4515 will never be out of action for want of spares and consumables.

State-of-the-art features: the technology factor.

Finesse 4515 offers everything a discerning buyer looks for in a copier. Modern features that reflect the world's most advanced electronics technology:

Reduction and enlargement. 100% edge-to-edge, corner to corner, non-void copying. Microcomputer-controlled, colour LCD panel for simple operation. Straight-line paper path with automatic paper alignment. Clamshell design for easy maintenance.

Getting perfect copies means leaving as little as possible to human judgement. So in Finesse 4515, exposure and toner density are controlled automatically. To ensure that originals are copied with perfect exposure, and for copies of consistently high quality.

The case for Finesse 4515 is clear.

It will be even more clear when you actually start using it.

In fact, 50% of Finesse 4515 sales are to satisfied customers placing repeat orders.

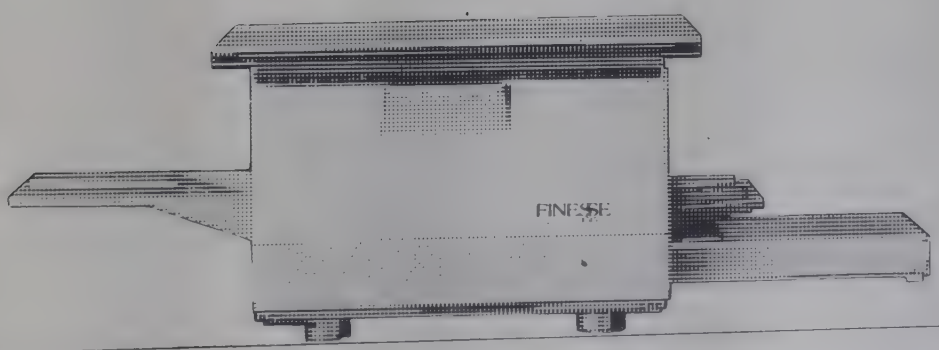
But right now, no one can blame you for being nervous.

No one can blame you for making the world's oldest consumer statement: "I'm looking for something reliable."

Look no further.

FINESSE
4515
PLAIN PAPER COPIER
In technical association with Toshiba Corporation, Japan.

India's largest selling copier.



HRL HINDUSTAN REPROGRAPHICS LIMITED

For further information, contact: Hindustan Reprographics Limited. **Head Office:** 5th Floor, Kundan House, 16, Nehru Place, New Delhi 110 019. Tel: 6432908, 6417094.

Branch Offices: Bombay: 74, Regent Chambers, Nariman Point, Bombay 400 021. Tel: 232764, 240888. **Bangalore:** 10/2, Queen's Road, Bangalore 560 052. Tel: 72494 **New Delhi:** 801, Deepali, 92, Nehru Place, New Delhi 110 019. Tel: 6418792, 6439209. **Secunderabad:** P 1-1-58/11, Sarojini Devi Road, Srinath Complex, Secunderabad 500 001. Tel: 75264. **Madras:** 8, Haddows Road, Jai Laxmi Estate, Madras 600 006 Tel: 476846, 474633. **Calcutta:** 11/1A Sarojini Naidu Sarani, Calcutta 700 017 Tel: 296720.

based on edible groundnut flour specially processed from groundnut cake. This is because India is the largest producer of groundnut, most of which is processed for oil. However, groundnut is not native to India and the per hectare yield is miserably low. And in view of the fact that per capita consumption of visible fats in the country is quite low, there is an express need to step up production of traditional oilseeds and explore new sources of fat," says Subramanian. His team is now working on finding ways to recover edible proteins from cotton seed, mustard, sesame and coconut.

Subramanian feels that any technology developed at CFTRI should be oriented towards local production and consumption. But policy shifts with changes of governments in the states have often made this impossible. "There is a certain lack of foresight so far as the food industry in India is concerned. And an advanced country like the US has been, on the other hand, quick to cotton on to concepts developed at CFTRI. The Bal-Ahar concept of supplementary food for children, for instance, came to serve as a model and forerunner for the development of other foods such as CSM (corn-soya-milk) and WSB (wheat-soya blend), both from the US. Today the CFTRI itself is becoming elitist, with the focus shifting towards developing instant foods," adds Subramanian.

Pronounced impact. A crucial area where CFTRI's work has had a pronounced impact is in the processing of foodgrains. Technology has been developed for maximising the total output and quality of rice, millets and pulses. Improved procedures for harvesting and drying of paddy to reduce breakages during milling and a process for curing rice so as to 'age' it have been developed. A mini rice mill, developed by the institute and incorporating features of a modern rice mill has been commercialised recently. Mini mills for processing maize and *dal* which drastically reduce processing time, increase overall yield, and are capable of operating in all weathers are now in use in several states, thanks to CFTRI knowhow. An institute-developed wheat milling process enables small sector entrepreneurs to make flour for bakery products and *atta* for *rotis* or *chapatis*.

However Dr. P.P. Kurien (53), a senior scientist in the foodgrain technology division, bemoans the lack of adequate funds and facilities for research in foodgrain processing. "Research in this area is not considered essential. We are working against tremendous odds," says Kurien.

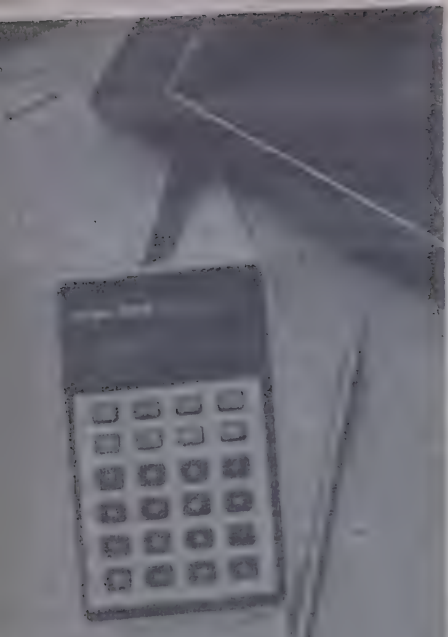
CFTRI research has also led to the development of export-oriented products such as spice oleo-resins (extractives) and oils, dehydrated green pepper and 'monsooned' coffee beans. Spice oils and oleo-resins worth Rs. 9.7 crores were exported from India in 1984-85 and the credit for this performance should go to the institute. According to M.L. Shankaranarayana (50), a senior scientist working on plantation products, research in the last two years has led to the formulation of a liquid coffee concentrate which is easily soluble and retains the full flavour of coffee. The product is yet to be commercialised, though a firm in Andhra Pradesh is using it for making toffees.

Convenience foods. Various spice oleo-resins in powder form have also been developed. "The advantage with them is they quickly dissipate into food matrixes and are best suited for convenience foods," says Shankaranarayana. Topaz Food Products, Madras is trying out the institute's pepper oleo-resin powder on potato chips.

V.H. Potty (45), area coordinator for industrial development and consultancy, sums up CFTRI's role: "Our mandate is to try to identify and solve problems in the post-harvest technology of foods. The institute assists in formulating policies with regard to handling, storage and transportation of perishable food commodities; lays down national standards for food and allied products; serves as an appellate laboratory under the prevention of Food Adulteration Act, and under the Fruit Products Order analyses processed foods and vegetables both for domestic consumption and export. In technology transfer, the services offered range from project identification to assistance in actually setting up production units."

The institute also offers courses in subjects relating to food and houses the International Food Training Centre besides being an associate institution of the United Nations University for advanced training and research in post-harvest conservation of food. An International School of Milling Technology is also located at CFTRI.

According to the institute's director Dr. B.L. Amla, who prefers to keep a low profile, a national meat research institute with full-fledged R&D support for the meat industry and for developing international trade in meat products is envisaged to be promoted at CFTRI. Besides, "The institute has been identified for setting up a design and engineering centre in collaboration with concerned organisations, developing technology for small-scale packaging manufacturing units and for developing more low-cost



nutritious foods using locally available materials," he says.

Sadly, an institution of CFTRI's size and stature is largely unknown to the general public. According to institute sources, Doordarshan had characteristically twice announced a feature on CFTRI but failed to air it for some inexplicable reason, much to the disappointment of the few familiar with the pioneering performance of the institute and to the loss of millions of others ignorant of its very existence.

N. Raghavan in Bangalore

COMPANIES

Unionism case study

Common sense dictates that a chief executive deserves plaudits for piloting a limping company firmly into the black. But as Vinod Krishna (44), managing director of the Calcutta-based pioneering paint manufacturing company (incorporated: 1902) Shalimar Paints Ltd. (SPL) is finding out, black might be a favourite colour with shareholders but not necessarily with others. Thus, for about a year now, Krishna has been the target of a vituperative campaign launched by the company's 'assistants' — supervisors within the officers' cadre — who charge that SPL is being "turned into a sick organisation" and is "heading for closure, liquidation or takeover by the (*sic*) new entrepreneur." Their demand: sack Krishna.

Even if officers, certainly not gentlemen, the company's 130 assistants at the registered office in Calcutta and at the work-cum-head office at Howrah, across the river, have had no compunctions about churning out over a dozen letters and memoranda — usually penned in purple prose — to addressees ranging from Union finance minister V.P. Singh, SPL's non-executive chairman M.M. ('Mohni') Sabharwal, to its overseas principal (and 40% shareholder) International Paints plc; not to speak of banks, financial institutions and the press. The recurring theme in these missives is that the situation in SPL is "alarming," "critical," "sorrowful" or "dismal."

The company's annual report, though, does not support these charges. In the calendar year 1985, Shalimar Paints recorded a sales turnover of Rs. 43.8 crores and a pre-tax profit of Rs. 1.71 crores. When Krishna took charge of the company two years ago, the figures (for 1983) which he had inherited were Rs. 29.5 crores and Rs. 0.74 crores respectively — figures which speak for themselves.

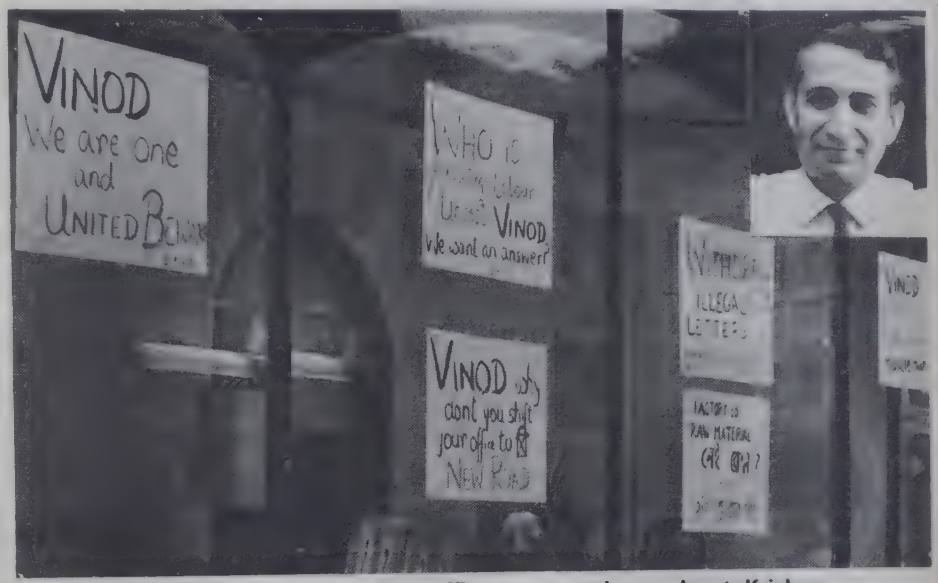
Record year. At the annual general meeting held at Calcutta on 30th May, a dividend of 15% was declared *cf.* 10% last year and nil in the year before. "The year 1985 was a record year for the company," remarked chairman Sabharwal at the AGM, "and this is true not only for the turnover but also for volume of goods sold and quantum of profits." In fact, SPL has now moved up to fourth place in the organised paint sector from its lowly seventh position as recently as 1983-84.

The audited and certified annual report notwithstanding, SPL's assistants do not agree that the company has improved upon its track record. After the 1985 working results were announced in early April, the Shalimar Paints Ltd. Assistants' Association (SPLAA) came out with its own "brief report on operating results."

The report began on a sombre enough note: "The operating trend showing (*sic*) symptoms of sickness of the organisation. There has been total lack of planning for inventories and finance. The management seems to be working in a vacuum. The materials function in the overall management of the company has been virtually non-existent. It has been passing through critical state of affairs in terms of cash flow" — no corrections have been made in the original grammar. According to the SPLAA, "the overall performance recorded in the recent press releases is nothing but window dressing."

Not entirely surprisingly, perhaps, in the rare instances where figures are quoted to substantiate a point, wrong figures are given. One instance: in the association's letter to V.P. Singh dated 25th November 1985, the company's profit after tax for 1984 is misstated as Rs. 18.87 lakhs *cf.* the correct figure of Rs. 26.65 lakhs.

Be that as it may, most of the company's senior managers are unwilling to waste time in rebutting these charges, which many of them label as "motivated" and "ridiculous." Krishna, however, was willing to talk of the changes he has wrought.



Managers' graffiti in Calcutta: neither officers nor gentlemen. Inset: Krishna

New departments. "One, the structure has been reorganised with the setting up of new departments of materials planning, training and development, projects and personnel. Incidentally, the company did not have a personnel department earlier. Two, an increasing proportion of plant capacity is being reserved for the manufacture of marine paints, packaging coatings and protective coatings. Low value added items are being selectively off-loaded to the small-scale sector and this policy of ancillarisation will continue. Three, we have changed the product mix of the company, the do-it-yourself Jetlac brand is giving way to our flagship Superlac Emulsion and Superlac Enamel brands. Finally, our policy of financial prudence continues. Despite pressure on working capital requirements, the SPL management has not raised money by inviting fixed deposits and issuing debentures," says Krishna.

In particular, Krishna refuses to be provoked by the assistants' fulminations which, according to him, represent an

Where the mind is without fear



And we walk tall in a beautiful environment. Where the air is clean and pure.

Each day hundreds of tons of pollutants are released into the air by our industries. Smoke, dust, oil particles and other industrial pollutants are an ecological menace and also constitute a serious health hazard.

Air Conditioning Corporation has been fighting this threat for more than 50 years with its versatile range of air pollution control equipment. Backed by updated international technology and expertise from the **DCE Group Ltd.** and **Lodge Cottrell Ltd.**, of the **United Kingdom** and **Ventilatorenfabrik (Oelde) GmbH, West Germany,** ACCO strives to bring you an environment where the air is clean and pure. An atmosphere where the mind is without fear and the head is held high



Acco **CLEAN AIR IS OUR BUSINESS**

AIR CONDITIONING CORPORATION LIMITED
17, Taratolla Road, Calcutta 700 088

Branches : BOMBAY • NEW DELHI
FARIDABAD • MADRAS

CC/ACC-3/8

"industrial relations situation" and nothing more. A circular entitled 'Message from the Management' dated 17th March and signed by the company's general operations manager and general materials manager outlines the genesis of this particular industrial relations problem.

To put it simply, the SPL management, then headed by expatriate managing director B.R. Toomey, had signed a settlement with the SPLAA in May 1984 which was valid for only one year. Even before this stipulated period was over, the association began an "acrimonious correspondence" with the management now headed by Krishna. The negotiations which were subsequently initiated in June 1985 have been bogged down by "procedural matters."

"In the meeting held on 7th March," says the circular, "they (i.e. SPLAA representatives) entered into a futile discussion as to who should chair the meeting." On several occasions, the white collar unionists did not turn up at all. All this despite the fact that the management has offered financial benefits averaging a minimum of Rs. 240 per head per month plus the assurance that existing facilities — which include the incredible privilege of 88 days' leave per annum — will not be curtailed. "We fail to understand what the hurdle is in the way of holding discussions and arriving at a settlement," say these management representatives.

The proverbial last straw was finally placed on the camel's back on 1st June when members of the supervisory staff manhandled the general manager (operations) within the factory premises. Given that this misbehaviour came on the heels of previous acts of indiscipline — for which due cautions and warnings had been issued — the services of two assistants, both SPLAA office bearers, were terminated.

Benighted fortunes. Sadly, the SPL labour situation offers a real life case study of the type of destructive trade unionism which has benighted the economic fortunes of West Bengal in recent years. Instead of contributing to increased overall productivity and taking pride in the company's retreat from the brink, a dominant minority undoes — or spares no effort to undo — the good work of the majority.

Should an adverse precedent be set in Shalimar Paints, the industrial revival of West Bengal which chief minister Jyoti Basu's leftist government is trying to initiate is likely to flounder in shallows and miseries.

Sujoy Gupta in Calcutta

ECONOMIC COMMENT — R.J. VENKATESWARAN

Image of business in perspective



Addressing a meeting organised by the Indian Chamber of Commerce, Calcutta on 18th April, Russi Mody, chairman and managing director of the Tata Iron & Steel Co., advised industrialists to constitute a nationally representative committee "to look into the business of our own image" so that they could win the support of the people. He said that private industrialists had earned "a foul reputation" for themselves and that the time had come "to look at ourselves, what we are, and where we are going."

During the past few years, several attempts have been made specifically to improve the image of the business community by representative industrial organisations at the national and regional levels. For instance, many years ago, the Federation of Indian Chambers of Commerce and Industry drew up a detailed code of conduct for businessmen, urging them to take effective steps to hold the price line, improve the quality of their products, refrain from adulteration and other malpractices and look promptly into the grievances of consumers and try to redress them.

Poor image. How is it that, despite all these efforts, Mody had to use such strong language about the poor image of the business community? It is true that the recent disclosures about tax evasion by some well-known industrialists have adversely affected their reputations. But should these few instances damage the reputation of the entire business community?

We should remember that, since the attainment of Independence, not only businessmen but also ministers, bureaucrats and politicians in general have fallen in the estimation of the people. One has only to recall the speech that prime minister Rajiv Gandhi delivered at the centenary session of the Congress when he vehemently criticised political parties, including his own, for shamelessly and systematically deviating from all principles of decency and democracy.

This condemnation of politicians, however, is no cause for complacency within the business community since the private sector has been assigned a very important role in the Seventh Plan and the Rajiv Gandhi government has been taking several initiatives to remove or relax controls and regulations, and to provide the private sector with incentives for faster development.

It is worth noting that in many highly developed nations also the image of businessmen is not as good as it should be. For example, *Business World*, the quarterly publication of the Paris-based International Chamber of Commerce, has announced its intention to publish a special issue on corporate security and corporate crime in the near future. According to the journal, "from embezzlement to computer fraud, corporate crime is big, sophisticated business" and therefore it has proposed to offer "expert advice" on "how to spot it and how to stop it."

It is also significant that, at the 29th Triennial Congress of the International Chamber of Commerce, to be held in New Delhi next February, a special session on commercial crime is on the agenda. The prime minister is scheduled to inaugurate the Congress whose main theme is 'The dynamics for global progress.'

Illegal businesses. Incidentally, we should remember that even in the communist countries, one comes across the very types of evils which Marxist ideologues ascribe to the original sin of capitalism. For instance, a report in the London-based *Economist* (18th January) indicates that in China an estimated 70,000 party and government officials are engaged in "illegal businesses." Comments the journal: "Recent scandals, involving goods worth millions of dollars, have already landed some officials in jails. Some bending of the rules is inevitable when a huge, centrally planned economy such as China's begins to loosen its stays. The trick over the coming months will be to attack corruption in a way that strengthens the reform, not weakens it."

Therefore, while indigenous businessmen should certainly do their best to improve their images, it would be unfair and unfortunate to create an impression that they are less honest or honourable when compared to their counterparts in the western world.

Taxable business connections

H.P. RANINA



S.9(1)(i) of the Income Tax Act, 1961, taxes the income of a non-resident by importing into the law the concept of the 'business connection.' Where such a business connection is established between a non-resident and a resident Indian, the income of a non-resident business is deemed to accrue in India and thus liable to tax.

The prerequisite of establishing a business connection is the element of continuity between the business of the non-resident and the activity in India. Further, the connection must contribute to the earning of income.

The categories of 'business connection' are incapable of exhaustive enumeration. A few examples which would throw light on this concept are:

(a) Maintaining a branch office for the purchase or sale of goods or transacting other business in India *(Rogers Pyatt Shellac & Co. v. Sec. of State (1 I.T.C. 363))*.

(b) Erecting a factory in India in which raw produce purchased locally is worked into a form suitable for export abroad *(Rogers Pyatt Shellac & Co. v. Sec. of State (1 I.T.C. 363))*.

(c) Appointing an agent (who may not be the sole agent) *(Abdullabhai Abdul Kadar v. C.I.T. (22. I.T.R. 241))* in this country for the systematic and regular purchase of raw materials or other commodities, or for sale of the non-resident's goods, or for other business purposes *(Anglo-French Textile Co. Ltd. v C.I.T. (23 I.T.R. 101 (S.C.)); P.V. Raghava Reddy v C.I.T.(44 I.T.R. 720)* and *C.I.T. v. Toshoku Ltd. (125 I.T.R. 525))*.

(d) Maintaining close financial associations between a resident and a non-resident company *(C.I.T. v. Bombay Trust Corporation Ltd. (4 I.T.C. 312 (P.C.)))*

(e) The grant of a continuing licence to a resident to exploit for profit an asset belonging to a non-resident, though the transaction may be disguised as an out and out sale *(C.I.T. v. Metro Goldwyn Meyer (India) Ltd. (7 I.T.R. 176))*.

(f) Briefing by an Indian firm of solicitors of a foreign barrister in respect of a case in an Indian court *(Barendra Prasad Ray v. I.T.O. (129 I.T.R. 295))*.

CONCLUSIVE PROOF

Thus, business connection would be proven if a non-resident maintains or supports a branch, factory, agency, consultancy, receivership, etc. Such a business connection may exist even without the existence of a regular office, branch or other identifiable organisation *(Bangalore Woollen Cotton & Silk Mills Co. Ltd. v. C.I.T. (18 I.T.R. 423 (Mad.)))*. However, the mere fact that a substantial part of a non-resident's manufactures finds its way into the Indian market or is sold directly or through brokers to various customers in India, or the mere rendering of services outside India, to a person carrying on business in India is not conclusive proof of a business connection having been established in India.

The most important case on this point is that of *C.I.T. v. Aggarwal & Co. (56 I.T.R. 20 (S.C.))*. In this case, the assessee carried on business as importer and as commission agent of non-resident exporters. For two non-resident exporters he canvassed orders in Amritsar for the supply of worsted woollen yarn and communicated the same to the non-residents and received commission on the sales made by them. The assessee had no authority to accept any orders on behalf of the non-residents.

However the orders were accepted, the price was received, and the delivery of goods was given by two non-resident firms. One of the foreign firms had described the assessee in a letter of appointment as the sole selling agent of its products in India. The other firm had appointed the assessee as its representative for the whole of India on condition that he did not represent any other Belgian mill or yarn producer and did not sell Belgian yarn in India on his own account. The Supreme Court held that there was no business connection in India between the assessee and the foreign firms.

In *Prem Nath Diesels Grainvaying Division v. C.I.T. (159 I.T.R. 575)*, a non-resident American company carried on business operations in India of off-loading grain from large tonnage vessels to smaller ships along the Indian coastline and providing suitable grainvayors. Under an agreement with the non-resident company, the assessee, an Indian firm, was to provide necessary supervisory and other staff for the maintenance and operation of such grainvayors. The assessee was to be paid direct expenses in and towards the actual cost of labour and supervisory staff plus additional sums for gratuity and provident fund for the labour and certain office and miscellaneous expenses.

INCOME ASSESSMENT

There was no profit-sharing agreement between the non-resident company and the assessee and no amount was paid by the latter to the non-resident firm. An income tax officer made an assessment on 11th January 1972, directly on the non-resident company for the assessment year 1969-70 on a total income of Rs 2,75,000.

The non-resident company closed its business in India and its managing director and directors left for New York. Thereafter, on 6th December 1972, the income tax officer served a notice on the assessee under s.163(1)(b) of the Income Tax Act, 1961, deeming the assessee as the "agent" of the non-resident company.

On a reference, the Delhi high court held on the facts that there was no real and intimate relation between the assessee and the non-resident company and the assessee could not, therefore, be held to be an agent having a business connection with the non-resident company.

In conclusion, it must however be pointed out that the business connection concept has intimidated several foreign companies from dealing with Indian parties, as anything more than a casual conduct of buying and selling goods could establish a business connection and make the foreign company liable to tax in India on the profits arising from such a connection.

True, under the Explanation to s.9(1)(i), profits have to be bifurcated and only the amount relating to activities carried on in India would be deemed to accrue or arise in India. However, the basis of such apportionment could itself be controversial and lead to protracted litigation.

BusinessWorld
June 23—July 6, 1986

Surrendra moves house

Now that all speculation as to the fate of the Hazira-Bijapur-Jagdishpur (HBJ) gas pipeline has been laid to rest, the focus has shifted to the eight giant gas-based fertiliser plants which are to be set up downstream. Of these, two (*viz.* Thal-Vaishet and Hazira) are already operational. Of the remaining six, two are in the public sector, one in the joint sector (with the Aditya Birla group and the Uttar Pradesh government as partners) and three are in the private sector. Of the latter, the respective promoters are the Tatas (for the plant at Babrala), the K.K. Birla group (at Sawai Madhopur) and the dark horse of the private sector league — the Apeejay group owned by the Paul brothers — at Shahjahanpur.

It might be recalled that there was not a little incredulity all around when Swraj Paul's Caparo Group was awarded the Rs. 750 crores Shahjahanpur project last year in preference to strong bidders such as *inter alia* the ICI group, UK-Indian Explosives Ltd. (IEL) combine. The argument ran, firstly, that the Pauls knew next to nothing about fertilisers and secondly, that they had never even handled a project of this size. To top it all, the unpredictable London-based Swraj Paul suddenly announced that he had "lost interest" in doing business in India and was handing over the Shahjahanpur project to his brothers based in Calcutta.

Subsequently, speculation ran rife that Shahjahanpur might be awarded to the ICI group after all. Few imagined that the maverick Paul brothers were dead serious about polevaulting into the big league of Indian industry.

Express purpose. On 2nd June, the carping voices of all doubting Thomases were silenced once and for all. Surrendra Paul (50), the youngest of the four Paul brothers who holds the formal title of chairman of the Apeejay group of companies (sales turnover: "indeterminate," according to him) moved house from Calcutta to New Delhi on that date with the express purpose of presiding over the birth of a new company styled Apeejay Fertilisers Ltd. (AFL). Incorporated as recently as 5th April, AFL is headquartered in New Delhi and has commenced business with an initial capital of Rs. 10 crores, with Surrendra Paul as the company's chairman.

Exuding the usual good cheer which is the hallmark of the Paul brothers, Surrendra Paul met this correspondent for an exclusive interview on the eve of his departure from Calcutta. "One of the first questions I asked myself was: can we handle a project of this size?" he admits candidly.

Predictably, he discovered that the answer was in the affirmative, and for the following reasons: "The managerial skill for a fertiliser project of this size will have to come from the public sector. To my mind, therefore, the real skill lies in choosing capable people, attracting them to our group and then keeping them with us ensuring, all the while, that they perform. I believe we have this skill.



Paul: doubting Thomases silenced

Our group's other strength is its unblemished record in good, sound financial management. Marketing the 1,350 tonnes of ammonia and 2,250 tonnes of urea which we shall produce on and from 1st January 1990 should pose no problem whatsoever. In fact, as a policy we don't put our money in projects where feasibility studies are required to establish whether or not a market exists in the first place," says Paul in characteristic style.

And neither is Paul particularly worried that his project is the only one yet to get off the ground. "Yes, we have taken longer than others to get going," he says. "However this slack will be very easily made up now. If you really ask me, being a little behind others might even be an advantage. You see, all the plants will have a similar pattern as far as technology transfer, procurement of equipment, erection and commissioning go. My strategy will be to follow the pattern and choose the most advantageous option in each case."

Work scheduled. As per Paul's calculations, the Shahjahanpur plant will cost Rs. 750 crores of which Rs. 75 crores will come as the promoter's contribution from Caparo. AFL will have an equity capital of Rs. 150 crores, and a public issue is probably on the cards around 1988-89. Work at the site is scheduled to begin latest by 1st January next year and the plant will be completed — including trial production — within 36 months. Surrendra Paul says that his brother Swraj will soon join the board of AFL as a non-executive director.

A dropout from the metallurgical engineering degree course of the Massachussetts Institute of Technology — he never got around to being a graduate — Paul is all too aware that managing a multi-billion rupee, publicly-owned enterprise is altogether a different ballgame from running a clutch of wholly owned firms. But by moving to New Delhi, the colourful chief executive of the Apeejay group has shown that he is ready and willing to play it.

SUJOY GUPTA IN CALCUTTA

Shipping exception

Even as the most prolonged recession in the history of world shipping continues to take its toll on the Indian shipping industry, there are a few indigenous shipping companies which have not only managed to stay afloat but have prospered as well. One such exception is the Bombay-based Varun Shipping Co. Ltd. (gross income: Rs. 8.25 crores; net profit: Rs. 67.39 lakhs in the year ended 31st March 1985), which is entering the capital market on 23rd June with a debenture linked equity issue. The company is offering 5,70,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share and 57,000 secured non-convertible debentures of Rs. 100 each for cash at par for subscription to the Indian public.

"We are one of the very few shipping companies to be making a profit in these difficult times and it is a measure of our financial soundness that the controller of capital issues has permitted us to charge a premium of Rs. 2 per share. In fact, ours is the first Indian shipping company to be permitted by the government to issue shares at a premium," says Anil K Khatau (26), a bachelor of science (textiles) from the Philadelphia College of Textile & Science (USA) and director of the company.



Khatau: rough seas but...

Incorporated in 1971, Varun Shipping has experienced rough seas, like other companies in this line of business. Indeed, in 1981-82, the company incurred a net loss of Rs. 33.82 lakhs on a gross income of Rs. 3.80 crores. But since then it has sailed back into the black through an "efficient fleet utilisation programme."

Currently, five of the company's six ships are employed on a long-term time charter basis. While three product tankers have been chartered to the Indian Oil Corporation for transport of lube oil on an annual contract basis, the company's two offshore supply vessels have been hired by the ONGC for a period of five years which ends in March 1989.

Tight rein. "Our success in the shipping business is attributable to the fact that we have insisted on purchasing specialised rather than the conventional general cargo vessels, which have been the worst hit by the current recession. Besides, we have maintained a tight rein on costs and all this has enabled us to earn the highest rate of return in the entire Indian shipping industry during 1984-85," says Khatau.

According to Khatau, any recovery in the fortunes of the shipping industry worldwide will give an added boost to Varun's already healthy bottom line. "The recovery in the shipping industry has to take place in the near future and this will enable us to obtain better time charter rates and improve our profitability even further," he says.

Meanwhile, the company's working for the current (20 month) 'year' ending 30th November 1986 is expected to be good and hence the directors have assured prospective investors a minimum dividend of 12% per annum on a pro rata basis.

BINU S. THOMAS IN BOMBAY

Farmers' company makes good

The Vijayawada-based Andhra Pradesh Heavy Machinery & Engineering Ltd. (APHMEL) has been in the news lately for signing up collaboration agreements with several world renowned companies. Given that this multi-product sophisticated engineering company was promoted only a decade ago, it certainly has come a long way.

The company owes its existence to a group of progressive farmers of the Krishna district in Andhra Pradesh who persuaded the state government to locate a major project in the district, which is agriculturally rich but industrially backward. APHMEL — a subsidiary of A.P. Industrial Development Corporation Ltd. (APIDC) — has over 47,000 shareholders, comprising farmers and traders, mainly resident in Krishna district, who subscribed to shares valued at Rs. 2.04 crores. APIDC has subscribed to Rs. 5.04 crores towards the equity capital of the Rs. 15 crore project, the first phase of which was completed in September 1983.

Located in Kondapalli, 23 km from Vijayawada, the APHMEL works are spread over 206 acres. The company has several product groups, manufacturing bulk material handling equipment covering conveyors, coal handling plants, idlers, transfer cars, reclaiming systems, rapid loading systems; mining equipment group (road headers and haulers); pollution control equipment (electrostatic precipitators, bag filters and cyclones); chemical equipment (pressure vessels) and heat exchangers. The latest diversification is into minicement plants of 100 tonnes per day capacity.

APHMEL has now initiated the implementation of its Rs. 15 crore diversification programme in the second phase, scheduled for completion by 1990. It proposes to add three sophisticated products to its existing range. These include new products such as high capital intensive pollution control equipment, road headers and mini cement plants. With the completion of the second phase expansion, the company's annual sales turnover will increase from the current year's projected turnover of Rs. 16 crores (Rs. 7 crores in 1985-86) to Rs. 30 crores and the employment potential to 3,000 from the 1,000 employees on its rolls currently.

Promising future. The APHMEL management has already begun securing orders for electrostatic precipitators (ESPS) from the Andhra State Electricity Board for its Kothagudem power station. The ESPS are being manufactured in technical collaboration with a US company, Environmental Elements Corporation (ENELCO)— the world leader in the field.



Murthy: full order book

"With the world's best collaborators and the demand potential our products enjoy, we have a promising future. In fact, our order book is full for the next two years," says K.R.K. Murthy (52), a mechanical engineering graduate who was associated with the company right from the project stage and is currently its vice chairman and managing director.

APHMEL's acquiring expertise in the field of manufacturing sophisticated products can be judged by its consistent success in bagging export orders for the manufacture and supply of large size 18 tonne sinking winches. These are manufactured with quality checks at each

stage of manufacture, as they are used for very critical applications in the Soviet Union.

"After carefully analysing the company's needs and capabilities, we have drawn up a perspective plan for the next 10 years with clearly defined objectives. The main areas of concentration in future will be mining equipment and pollution control products," says Murthy. In addition, APHMEL has also entered into a technical licensing agreement with Cement Research Institute of India for the manufacture of mini-cement plants using VSK technology.

"Considering the quality of the supplies from the existing manufacturers, APHMEL will play its role in a very useful way in updating technology by offering consistent quality cement machinery on a turnkey basis," promises Murthy.

P.L. DIWAKAR RAO IN HYDERABAD

Car of the future

The noiseless, cost efficient and pollution free electric vehicle has finally arrived in India. On 28th May, at a demonstration organised at Bombay's Willingdon Sports Club, five models of electric vehicles which are scheduled to be manufactured by the Bombay-based Chatelec Vehicles India Ltd., in collaboration with Electricars Ltd., UK, performed impressively and silently a range of manoeuvres which the noisy internal combustion vehicle would have found hard to match. The electric powered vehicles on display included two fibreglass bodied delivery trucks of 2 tonnes capacity each, and three tractors for industrial use with hauling capacities ranging between 3 and 10 tonnes.

And, according to Indra Chatterjee (66), an electrical engineering graduate of London University and the promoter chairman of the company, this is just the beginning. "We plan to introduce seven models of electric vehicles into the market during our first year of production, and depending on market response we will add at least five other vehicles to this range for road and industrial use during our second year."

Though Chatelec's vehicles are somewhat more expensive than conventional internal combustion engine-based vehicles of equivalent capacity with price tags of between Rs. 1.7 lakh for a 2 tonne delivery van to Rs. 2.5 lakhs for a 10 tonne haulage capacity tractor, Chatterjee is confident that the company's products will be well received in the marketplace.

"The advantages of the electric vehicle are compelling," says Chatterjee. "Apart from the fact that these vehicles are noiseless and pollution free, they are more cost efficient as well. The operating costs of an electric vehicle are approximately a third of a conventional vehicle. Maintenance costs are also considerably lower, because these vehicles have no gears, clutch assemblies, carburettors, spark plugs and transmission systems. They are very simple in design and construction and because they are vibration free and have only a third of the number of moving parts as a conventional vehicle, their effective working lives are three times as long as those of conventional vehicles. All this means that the economics are overwhelmingly in favour of electric vehicles at current costs of petrol and maintenance," he adds.



Chatterjee with Chatelec van: compelling advantages

Critical consideration. But economic considerations apart, Chatterjee is confident that the demand for electric vehicles will be strong for other reasons as well. For instance, there is the critical consideration of India's known oil reserves of 511 million tonnes, which at current rates of consumption will last for only 17 years. Long before these are depleted, both strategic and economic considerations will make the electric vehicle a compelling necessity, argues Chatterjee.

Which is why Chatelec has drawn up an ambitious plan to expand its production capacity from 500 vehicles in the first year to 12,000 vehicles per annum in the fifth year of production. The vehicles will be manufactured at a Rs. 5.5 crore facility in the Raigad district of Maharashtra, with the indigenous content increasing steadily from 63% in the first year of production to 96% in the fifth year.

"We will import only the motors and the thyristor controls during the first year. The other major component, *viz.* heavy duty batteries will be supplied to us by three indigenous battery manufacturers including Chloride India. We will manufacture the fibreglass bodies for the delivery vehicles in-house. Over the next five years, we plan to manufacture the entire vehicle indigenously, with the exception of the electronic components that constitute the control system," says Chatterjee optimistically.

Chatelec plans to enter the capital market in September soon after its first batch of 40 vehicles hits the road, to raise Rs. 60 lakhs from the public. The remainder of the paid-up capital of Rs. 1.6 crores is being contributed by the promoter family (20%), Electricars, UK (20%) and SICOM (14%).

With an impressive track record in the automotive business — Chatterjee retired as Mahindra & Mahindra's executive director in 1979 and went on to promote a clutch of small but successful companies including Simiglass Fibre Ltd. and Chatterjee Energy Systems Ltd. — Chatterjee seems all set to make a success of his latest and most ambitious venture.

MICHAEL NERI IN BOMBAY

ET's eastern celebration

At a time when industrial growth indices seem stagnant in Calcutta and its environs, somewhat paradoxically a journal reporting on the industrial environment has recorded a substantial growth. And on the eve of the celebration of the tenth year of publication of its Calcutta edition which commenced on 9th June 1976, the 25-strong editorial and advertising team of *The Times of India* group's daily *The Economic Times* (*ET* — circulation 16,963 copies in Calcutta as on 31st March 1986) seem to have cause to commend themselves.

"As it happens, this year we are also celebrating the silver jubilee anniversary of the mother paper i.e. the Bombay edition of the paper. This on-going year-long celebration will be interpersed with our own modest celebration, marking the completion of a 10 year presence in the eastern sector of the country," says Jayanta Sarkar (48), the Calcutta-based resident editor of *The Economic Times*' Calcutta edition.

A 44-page special supplement to commemorate the successful completion by the *ET* of a decade in the eastern sector is scheduled to be published on 9th June. This will consist of various sections on art, culture, recreation and issues of contemporary interest with an eastern sector orientation, with contributions from eminent Calcutta-based personalities.

"In addition, under the auspices of the Advertising Club of Calcutta, we sponsored a debate 'The 1985-86 business boom: myth or reality?' on 27th May 1986 which included speakers such as Pranab Mukherjee, the former finance minister; Dilip Thakore, editor, *BusinessWorld* and myself with Mr. Prasanta Sanyal, a well-known name in advertising circles in Calcutta as the moderator. And we will have the usual get together for our contributors, well-wishers and advertisers in the near future," says Sarkar.



Sarkar: much to be proud about

Substantial growth. But if the 10th birthday of the Calcutta edition of the *ET* is being celebrated "in a modest fashion" by all accounts there is much that Sarkar and his team can be proud about. *ET* is the second economic daily in the city, the first being *Business Standard* (*BS* — eastern region circulation: about 22,000), which had started publication in 1975. The growth of the Calcutta edition of the *ET* which reports on West Bengal, Bihar and Orissa has been substantial "and that too at a time when Calcutta has not been in the best of financial health," says Sarkar.

"From a net sales figure of a modest 9,600 copies per day when we first commenced publication, our average net daily circulation has risen to 16,963 copies. From an average of 12 column centimetres per eight page copy of the paper, the space booked in the *ET* by advertisers has risen to an average of 28 columns per eight page copy. Simultaneously, reader acceptance of our product has been most encouraging. In the last two years, the Calcutta edition generated enough resources to pay its expenses and this year we are hoping to generate a modest surplus," says Sarkar.

However, a healthy bottom line — in an environment in which two economic dailies (*BS* and *ET*) and the business pages of the two regular English language dailies (*The Telegraph* and *The Statesman*) are vying for a larger slice of the shrinking economic cake — is not an easy task. Yet Sarkar is unfazed by the emerging competition.

"There is a great deal of overlap in our readerships which consists mainly of the corporate professionals and the business class. Most businessmen and corporations need to keep themselves informed and therefore do not stint on purchasing economic dailies and journals. Almost all of them buy everything that is available in the market so that they do not miss out on any news items or stories. Besides,the same news item may be given a different perspective depending on the editorial policies of a journal or newspaper and it is important for businessmen to be able to be acquainted with the different aspects of a development or problem," says Sarkar.

An economics graduate of the Presidency College, Calcutta (1959), Sarkar, who has had a varied career in the fourth estate (*Hindustan Standard, Indian Express*) believes that despite the forecasts of the Cassandras, the prospects of economic journals in the eastern sector is promising.

"There is a great deal of news that never finds its way into the mainstream dailies. In developing and focusing on such issues which are often of vital importance to readers in the eastern region and indirectly to the national scenario,we have an important role to discharge. I think the challenge is exciting and in spite of what everyone says about the stagnant economic scenario, for us — i.e. all economic dailies — the growth is assured and visible," concludes Sarkar.

DEBJANI SINHA IN CALCUTTA

Chauhan's dream

Two decades ago, when Ashok Chauhan (43), chairman and managing director of the Frankfurt, (West Germany)-based AKC Group of companies (sales: $ 500 million or Rs. 600 crores in the year ended 31st December 1985) left New Delhi, bound for a country whose language and culture were entirely alien to him, he was nevertheless spurred on by the desire to fulfil a childhood dream. "Right from my school days, I knew I would make my mark outside this country. I was just waiting for an opportunity to come my way," says Chauhan, a post graduate in chemistry who quit a lucrative job with the DCM group to take up a scholarship for higher studies in chemistry and plastics technology in West Germany.

Not only did Chauhan, a brilliant student, complete his three year stint at the Wurtsburg University (West Germany) at the very top of his class, but he also went on to create one of the biggest NRI business empires in mainland Europe, specialising in the fields of plastics and petrochemicals. Yet, his success would have gone virtually unnoticed in his homeland if it were not for the recent boom in the economy, which has lured him into undertaking a Rs. 250 crore investment drive in the fields of fertilisers, drugs and pharmaceuticals, oilfield chemicals and inevitably, electronics in this country.

Yet Chauhan's has been no easy-road-to-success story, and he recalls his early years in West Germany, when "it was a struggle to convince the West German government that I should be allowed to stay on. It was only after I convinced them that I would be of use to their economy, as employer and technologist, that they finally agreed," says Chauhan who initially worked as the head of the research department of a Swiss firm.

First venture. By 1973, however, he was sufficiently well-versed with advances in the field of plastics to set up his first venture, a consultancy firm to aid the development of new products and processes, as the plastics revolution began to sweep Europe.

"Soon, our clients began demanding that we supply the necessary raw materials and machinery in addition to consultancy services, so we made a beginning by trading in raw materials for plastics and equipment. In retrospect, this proved to be our first big break," explains Chauhan. From a minuscule turnover of DM 25,000 (Rs.1,40,000) in his first year of operations, Chauhan doubled and trebled his sales from year to year until he had built up the necessary reputation in Europe to set up manufacturing operations.



Chauhan: an interest not entirely related to the pursuit of the rupee

"As both wings of my business began to settle down, I was free to plot my future strategy. And I saw that we were much too dependent on the giants for raw materials," says Chauhan, who promptly bought up three units to manufacture tailor-made products for the plastic product-makers.

"We now have five such units, three in Germany, one in Italy and the other in the UK, which process monomers into polymers and convert powders into plastic granules," explains Chauhan. In addition, Chauhan moved into the shadowy world of counter-trade which boomed as the East European countries suffered from a foreign exchange crunch.

Now, the AKC Group, which is what Chauhan's clutch of 35 companies employing 900 professionals worldwide is called, is moving into similar fields in India. "Our first venture will be located in Uttar Pradesh and will produce ammonia and urea. This project will entail an investment of Rs. 130 crores. The other main project that we have on the anvil is a drug and pharmaceuticals complex to produce lifesaving drugs and fine chemicals with foreign technology," says Chauhan.

Although the necessary approvals for the project, which will involve funding from the West German government, have not been obtained, it is expected that the project will get underway by early 1987. "As our forte is petrochemicals, we have also tied up with a well known European company to produce oilfield chemicals for the first time in this country," says Chauhan, who owns a few oil wells in the United States.

Focal point. Despite his lack of experience in the sector, Chauhan also hopes at some stage to promote a Rs. 60 crore project for the manufacture of 25 electronics components and accessories. "As our aim is to serve as a conduit for the flow of technology between West Germany and India, we have finalised plans to construct a $ 20 million trade centre in Frankfurt, which will serve as a focal point for trade in technology and products between the two countries. The electronics projects we propose to promote in India will represent the beginnings of what we hope will become a sizeable two way trade flow between the two countries," says Chauhan.

And given the rapid rate at which Indo-German trade has been growing in recent years — India's imports from West Germany alone went up by 30% in 1985 as compared to 1984 — Chauhan is obviously on a good wicket.

Yet, Chauhan is more than keen to labour the point that his new found interest in India is not entirely related to the pursuit of the rupee. Indeed, according to Chauhan, the non-resident Indian technocrat has a debt to repay to his motherland. "I hope that by promoting a series of new ventures in India, I will be repaying a part of this debt."

Which proves that childhood dreams are good for the individual and his country as well.

ANAND P. RAMAN IN NEW DELHI

SIEMENS

A 1% fluctuation in tension control by the drive — and the entire steel sheet will be rejected.

Would you risk anything short of Siemens quality?

Siemens Thyristor Drives are used extensively in Steel Rolling Mills, Synthetic Fibre Plants, Paper Mills, etc where even minute faults in the drive system can lead to product defects. To prevent this, Siemens drives undergo a comprehensive series of quality ensuring procedures. This is why Siemens is able to guarantee 0.1% accuracy in its MODULPAC and SIMADYN C drives.

Testing of Thyristor Drives.



In the crucial areas where Siemens products are used, the cost of imperfection is far too high. And not just in terms of money. What is at stake can be anything from a company's reputation to a human life. This is why the Siemens Quality Assurance System leaves absolutely no room for compromise. The system ensures that quality is built into the designing, manufacturing, testing and servicing of every Siemens product. Systematically documented manuals guide Siemens' employees in maintaining levels of excellence that far exceed the prescribed standards. So get the Siemens quality advantage on your side — it is your guarantee against regret.

Siemens India Ltd
P.O. Box 6597, Bombay 400 018

Siemens Quality Assurance. The only guarantee



The Dutch Connection. Non-stop to Amsterdam



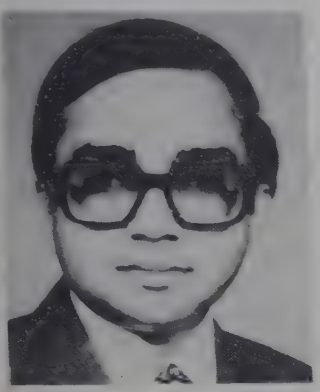
Discover Amsterdam. The city of brightly coloured tulips and storybook windmills. Where the streets are paved with history and the air charged with the excitement of one of Europe's busiest commercial centres. Dykes and diamonds, Van Gogh and the vikings. Amsterdam is a city that has everything... specially surprises.

Take the silk route to Amsterdam on Thai.
Non-stop early morning on Mondays and Fridays.
The Royal Orchid Service is just part of the Dutch experience.

Thai
Smooth as silk.

In praise of training

T.A. BALASUBRAMANIAN



While on the one hand the management of personal computers as corporate resources has highlighted a host of administrative problems, the plight of the personal computer (PC) user within an organisation, on the other, has been no less traumatic. Apart from the jitters caused by having to cope with new technology, the average PC user is confronted with software packages that still have a long way to go before they begin to become 'user-friendly' (as the software developers lovingly believe them to be).

PC wisdom is not an easy thing to acquire, given the somewhat esoteric nature of the commonest software packages available today. The evidence for this is not hard to find: the number of PC 'training' courses being offered; the variety of specialised books being published for beginners; the seminars, tutorial programmes, audio and video learning products that supplement software products; and, of course, the growing boom in consultancy support services aimed at novice computer users.

At the same time, software designers are concentrating a significant percentage of their resources into making software that is not only user-friendly, but 'intuitive.' The assumption is that users will be able to sit before a PC and begin to use their intuitive faculties with no effort and no learning. At least, this is the impression that most software package promotion campaigns are striving to convey through big budget advertising and slick presentations.

FAMILIAR ENVIRONMENT

Unfortunately, available software does not appear to provoke instinctive or intuitive learning response, no matter how loudly the designer and vendor may proclaim its simplicity. Learning takes time, effort, the formation of certain habitual responses and familiarity with the computer. To a certain extent, the typewriter-style keyboard, the television-style video monitor and the menu card style selection of commands provided by software packages add up to a somewhat familiar working environment for PC users, making them less likely to feel intimidated in the beginning.

But knowledge about typing, adjusting television receivers, or ordering a meal at a restaurant does not qualify as an adequate pre-training for the PC software user. Understanding the concepts of magnetic and electronic information storage, file definitions and software interfaces does not come intuitively to people with ordinary experiences.

There are several factors that combine to make PC software more or less hostile to the average computer user. an extensive array of features; nonstandard approaches to different applications and infrequent usage. Typically, well-known software packages may offer over 100 features, of which only 50-60 may be of common use. This over-abundance of features is also liable to keep increasing in future, since software that offers more features is easier to market for the developer and perceived to be of greater utility by the user.

Most program packages are oriented to the keyboard and a user who is accustomed to working on an ordinary typewriter keyboard does have some advantage in learning to use a package effectively. However, many of the more complex packages require the constant use of the special function or other keys (such as the CONTROL key) in combination with the usual QWERTY and numbers.

Apart from the difficulties of working with a clumsy communications interface, the user also has to contend with the difficulties of mastering non-standard language features and design peculiarities of individual software packages. However, an increasing number of the present-day packages incorporate 'consistent' command structures, so that the commands that work for a database module work exactly in the same fashion for a spreadsheet or a word-processing module in the same package. This makes learning considerably easier, if only because it reduces the number of commands to be learned.

Yet another aspect that comes in the way of the easy use of software is the force of habit—once a user is familiar with a particular set of terms on a particular package, he subconsciously tends to use the same interpretation of similar commands on a new package This may lead to lots of serious errors. For example, the finer meanings of commands such as ERASE, DELETE OR KILL may not be similar in two different packages. Considerable study, caution and re-learning and testing may be required when using a new software package. Very often, inadequate documentation of the software adds fuel to the fire and causes a lot of frustration and lost data.

DIFFERENT APPROACH

Most suppliers of PCs do provide some form of training support. But there is a lacuna and consultants and training centres are aiming to fill the gaps. Organisations have to be addressed specifically in terms of their needs and their applications. An engineering firm, for example, may require a different approach to training from that of an advertising agency, though both may have the same standard software packages and similar PCs.

Since software does have a long way to go before it addresses the needs of specific professions and backgrounds, making it truly easy to use, training will continue to be an essential requirement for organisations and for groups where PCs are in use.

A number of professionals have taken the big step and moved out of electronic data processing (EDP) and consultancy firms to launch training institutes or services of their own. The low cost of PCs has provided such professionals the impetus to set up their own computer-based training programmes. Currently, such programmes are being offered to groups or departments within large organisations that have acquired a number of PCs.

As the computing skills and qualities mature within user organisations, the focus of such training will naturally shift from primary literacy (four-day courses introducing users to dBASE III or LOTUS 1-2-3) to more sophisticated and task-specific business applications.

Given the isolated EDP set-up of the recent past (where the computer and its environment was inviolate and distant from the user), it is no wonder that even the most 'intuitive' of software packages, being freely sold as such to users, remains alien to them. This alienation is precisely what training will continue to address and eliminate.

Auctioneer

In India, an interesting and ever-varied career exists in the promising but as yet underdeveloped field of auctioneering. It offers the opportunity not only to handle an extensive variety of objects—ranging from priceless jewellery to second-hand books—but also enables a person to gather very specialised experience in the fine art of assessing the correct value of objects.

The fact that a public auction is an ideal method of realising fair prices for saleable objects has been appreciated from early times. According to the historical record, the types of objects that have been sold at auctions have ranged from the spoils of war to the glittering prize of the Roman principate itself.

In modern times, the use of auctions is widespread. Various commodities such as coffee, jute, tea, hides and in the US, tobacco, are usually sold at auctions. Normally, an auction is conducted by soliciting successively higher offers or bids, by potential buyers. When the highest bid has been made, as indicated by the fact that further bids are not forthcoming, the property is 'knocked down' to the successful bidder.

The actual method of bidding has varied from time to time. At one time in England it was common practice to use a burning candle to limit the time within which bids could be made, the person making the last bid before the candle went out becoming the purchaser. Other picturesque methods that have now gone out of use involved the use of a sandglass or a boy running towards a specified goal to time the bids. Nowadays the customary manner of signifying a concluded sale is the fall of the auctioneer's hammer.

Effective method. The beginnings of professional auctioneering can be traced to the end of the 18th century when the Select Society of Auctioneers, which still exists as a dining club in London, was constituted at the Piazza Coffee House on 20th May 1799. Soon after, the practice of auctions was taken to North America by the early colonists. It was an effective method for the quick disposal of goods brought by the supply ships from England and Holland.

In India, auctioneering has yet to develop as extensively as it has in the West where names such as Sotheby's or Christie's are household names. Auctioneering began in India in Bombay when in 1837 a Mr. Pestonji, quick to see the advantages of selling goods for a commission, established a firm in partnership with an Englishman called Mr. Bennet. They got off to a runaway start by selling bales of cotton and jute for the British government.

Today, 148 years later, the firm of Bennet & Co. is still run by scions of the same family and still ranks as the most well known auctioneering firm in the country. Large shops such as the Army & Navy Store, Whiteway, Evans & Frazer (all in Bombay), which no longer exist, used the services of the firm to sell excess or damaged goods. Colonel T. M. R. Bharoacha, currently the senior partner of Bennet & Co. recalls how a whole consignment of cheese was sold for the then logical sum of 25 paise and a chipped crockery set for Rs 5.

Encouraged by the thriving success of Bennet & Co., other auction houses entered this line of business. Calcutta and Bombay still remain the main auction centres in India today.

'The job calls for an ability to deal with all types of people on a professional basis as well as the ability to handle disputes on valuation and procedure. One needs to possess a quick eye and an innate commercial sense'

Three categories. Auctions can be classified into three broad categories. These are private auctions, in-house auctions conducted at professional auctioneers' premises and various government auctions. In addition, there is a specialised category which handles commercial trading in commodities such as tea, jute, tobacco, etc. Auctioneers are necessarily valuers also. They act as government valuers for estates on probate, and assess china, jewellery, antiques, etc. Whenever there is doubt over a specific valuation, experts are called in.

The police also make use of auctions when stolen goods lie unclaimed, as do the courts when they act as receivers. In such instances, whole complexes or buildings come up for auction and are sold at astonishing bargain prices. On occasion, banks too approach auctioneers to dispose off goods left with them by individuals for charity

Apart from this, private auctions are often held at residences, such as when an expatriate couple are leaving India and wish to sell the contents of their flat. The auction team takes over and arranges every last detail from washing the glassware to display.

Private bids are often made with a deposit being paid on the amount bid. Should open bidding exceed the private bid, the letter automatically becomes invalid and the deposit is returned. At the auction a buyer has to make a down payment, usually around 50%—the remainder being payable within three days. A commission of about 10% of the sale price is charged by the auction house.

Arduous training. In India there is no school one can attend or courses one can take to qualify as an auctioneer although abroad, such renowned houses such as Sotheby's or Christie's have arduous training programmes. There are also stringent examinations to be passed in order to qualify. The training consists largely of learning on the job.

The job calls for an ability to deal with all types of people on a professional basis as well as the ability to handle disputes on valuation and procedure. One needs to possess a quick eye and an innate commerical sense. In private firms it is necessary to work weekends as Sundays are usually the days on which auctions are held. Women may find themselves at a disadvantage in a career which has so far been peopled almost exclusively by men. A few women have entered the profession as employees of commercial houses selling tea and tobacco but apart from this small number, auctioneering is still a profession into which women are not particularly welcome.

While private auctioneering firms find it difficult to pay large salaries and try and keep the number of employees to a minimum, the large commercial houses pay well with executives often starting at Rs. 1,500 and working their way to the top of the scale at about Rs. 5,000 plus perks. A private firm by contrast rarely pays over Rs. 1,000 and often less to clerical staff. However, proprietors of these private firms are in a position to earn steady profits though little has been done so far to make auctioneering firms responsible for the training of personnel as in the developed countries.

Auctioneering is an enthralling profession for those who have experienced its thrill and variety. In India there is a large and receptive market at public auctions but good auctioneers are few. One can only hope that this immensely useful service profession will witness a growth and develop its latent potential in the coming years.

Chandralekha Maitra

BusinessWorld
June 23—July 6 1986

Auctioneer extraordinaire

Colonel P.M.R. Bharoacha (72), is perhaps the best known personality in Bombay's auctioneering circles. He is a familiar and reassuring figure for professional auctioneers, bargain hunters, antique dealers and the lay public who pour into the auction rooms of Bennet & Co. situated in Apollo Street in Bombay. Bharoacha is today the senior partner and manager of the company which, with its 150 year old history, is the pioneering and best known auctioneering firm in the country. Its services are sought by royal houses, government departments, banks as well as the man in the street. To all of them, Bennet & Co. extends the scrupulously honest service which has established its reputation and goodwill nationwide.

By common consensus, the person largely responsible for the successful administration and continued popularity of the firm is Bharoacha himself. Yet Bharoacha's entry into the auctioneering business was a belated and entirely reluctant career decision, due mainly to family pressures.

"I had no interest then in auctioneering and knew nothing about it. My own family had no association with this line of business, rather it was my wife's family who owned Bennet & Co. The firm was going through a difficult phase and needed someone to overhaul the system. The family insisted, much against my own wishes, that I was the person designated to take over its management," recalls Bharoacha.

Born in Bombay into a family involved in the piece-goods business, Bharoacha went to school in Bombay and eventually graduated in 1937 from St. Xavier's College with a degree in English literature. However, Bharoacha had set his mind on either the Imperial Police Service or the Indian army. Much to the dismay of his family he enlisted in 1938 as a lieutenant in the soon-to-be famous Eighth Army, then stationed in North Africa and led by the legendary General Montgomery.

War years. In 1939, war broke out in Europe. The young Bharoacha spent the war years in Sicily and landed at Salarno (Italy) to take part in the battle of Monte Casino in 1943. From there he served in Burma and on the Kashmir front in 1947. Independence saw vast changes in the ranks of the army as promotions were accelerated to fill the gaps left by the departing British. The post-independence years saw Bharoacha reach the rank of colonel and after 25 years' service, he eventually retired in 1963 from the army.

However, for Bharoacha, retirement from the army signalled the start of a remarkable career as an auctioneer. At the time, Bennet & Co.—owned for five generations by the family of his wife, Hilla—was passing through a lean period with large accumulated debts and a lack of efficient management. With no male members of the family left to carry on the business, the family members turned to Bharoacha. On their insistence and in spite of his own misgivings, Bharoacha took on the job of restructuring the administration of the firm and learning from scratch a business about which he knew precious little.



Bharoacha: discriminating skill

The only training Bharoacha received was on the job, at the hands of the more experienced and seasoned employees of the firm. Slowly and painstakingly he acquired the discriminating skill of making an accurate assessment of objects. He introduced new methods of sale, introducing a system of down payment of 50% at the time of sale, a precaution to stop bad debts mounting. He also stipulated that the commission from sales would be set at a standard 10%.

Fine pieces. Bharoacha's own speciality is pottery and china in which he takes a great interest and about which he displays formidable knowledge. Many fine pieces have passed through his hands including objects from the sales held on behalf of the royal houses of Kashmir, Bikaner, Baroda, Indore, etc. "On such occasions," explains Bharoacha, "the firm sends a team of five or six to the palace. They spend the first few days carefully cataloguing each item and then arrange the objects for display. A day before the sale, the public are allowed in to view." The whole process takes eight days of painstaking labour.

Bennet & Co.'s own house auctions also require detailed planning. Cataloguing receives special attention from Bharoacha as the order of placing the goods is of extreme importance. Normally the best items are sold at prime time which coincides with the middle of an auction when the maximum number of people are present.

Bharoacha feels there can be no comparison with the way auctioneering firms in the West conduct their auctions as they deal mainly with *objects d'arts*, while in India, the bulk of the business is in second-hand goods. Also, many auctions abroad are by invitation only and thus restricted. This has never been a practice in India.

"There is no way in which we can use the West as our model. While the basic function is the same, the goods, the environment, the facilities and uses are quite different in India. Resources for training personnel are non-existent while the production of glossy catalogues is an avoidable and unnecessary expenditure," he says.

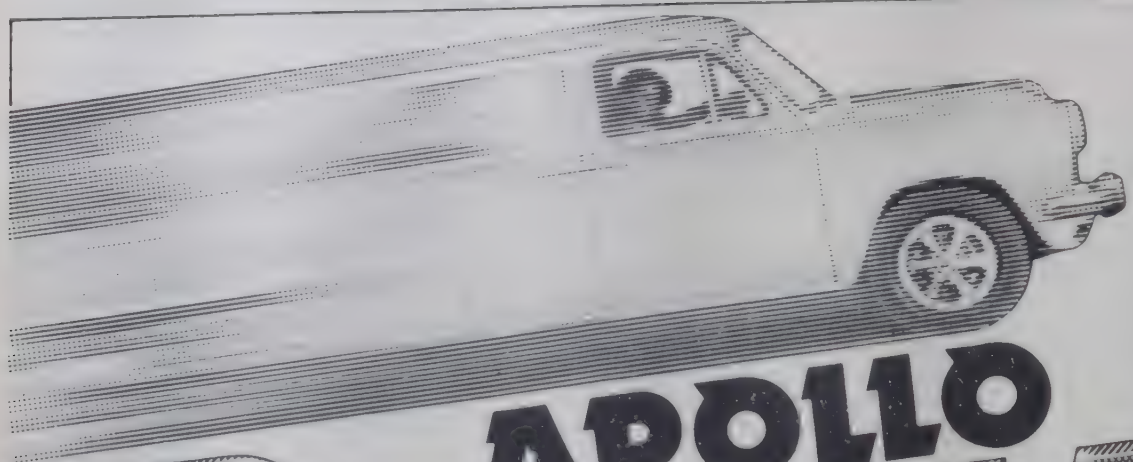
Great restrictions. The present premises of Bennet & Co. in the Fort area of Bombay near Lion's Gate are 125 years old but there is little hope for extensions as space in Bombay is at a premium. "Being an old firm, people know where we are and come to us but many of the newer houses face great restrictions and handicaps due to inadequate space," comments Bharoacha.

Bharoacha feels that the main advantage of being in the auctioneer's profession is in the variety of goods one deals with as well as the variety of people one meets. There are always new and different incidents which enliven the business routine.

Looking back, Bharoacha expresses satisfaction about the manner in which he has spent the biblical life span of three score and 10 years and more. "It has been a long march from the western desert to the auction rooms of Bennet & Co., but it has been a life of colour, fulfilment, interest and satisfaction," he says.

Carry on, colonel!

Chandralekha Maitra



APOLLO POLYGLAS Radial



The Right Radial ...for Indian Roads ...for your Car

Apollo Polyglas' hi-tech claims have lived up to expectations. As the tough tyre that comes to grips with the roughest conditions. Proving what thousands of customers support—that it is the right radial for Indian roads. Giving you double the mileage and other super-saving benefits.

Available for Ambassador, Premier, Mercedes, Toyota and other imported cars. At a price comparable to any other tyre.

APOLLO TYRES

A RAUNAQ ENTERPRISE

HEADSTART/AT/9344

Finesse in refusal

KRISH PENNATHUR



During one of the management seminars conducted by me in the US last year, a very interesting discussion arose over how diffident American managers felt about refusing to accede to even unreasonable requests from their subordinates. Most of the participants felt that a special training course needed to be organised, particularly for senior managers, on how to deal firmly with their subordinates.

Recent letters from some acquaintances in the US indicate that in April and later this year in autumn, several seminars and training programmes were organised and are due to be organised in several parts of the US on 'How to be a firm and strict manager' or slight variants of the theme. This is rather surprising since the general impression is that American managers are a tough breed and have a no-nonsense approach to making business decisions.

So much for the American scene. In India, the situation appears to be quite different. Contrary to the laments over unreasonable trade union leaders and unwilling workers, the average Indian manager, by and large, is quite forthright in his denial of requests of those working under him. Of course, there is a small percentage of managers who just cannot say 'no.' Thus, even in the performance appraisal reports that they write, they gloss over the weaknesses of subordinates and often give an 'above average' report when the person appraised barely merits a 'below average' grading. But, in my experience in various industries over the last two decades, most managers tend to adopt an unnecessarily inflexible stance when dealing with employees, particularly subordinates.

GENUINE REQUEST

There is nothing inherently wrong with being tough. In quite a few cases, pleas and requests deserve outright rejection. But instances are not unknown when an otherwise habitual malingerer makes a perfectly genuine request. The manager who, on the basis of the track record of an employee applicant, summarily rejects it out of hand without evaluating the merits of that particular case, is sowing the seeds of industrial disharmony.

My friend Colonel G.K. Lall (retired), the Bombay-based general manager, personnel and administration, Associated Capsules Pvt. Ltd., feels quite embarrassed about my references to him in my articles. At the risk of embarrassing him again, I must cite his style of handling requests and petitions from employees of the company. I have watched him at close quarters for well over two years and I have been truly impressed by his fair, systematic and unbiased appraisal of any request that comes up before him.

Lall gives each applicant or complainant a personal interview. He patiently and meticulously records all the details and usually asks the person to see him again sometime later in the day, the next day or a couple of days after, depending on the nature of the request or complaint. After the receipt of a request, he digs into his records to verify facts. Facts which are not recorded are investigated by one of his assistants.

In one case, an employee had asked for 10 days' leave to hospitalise his mother. The record, however, stated that the applicant's mother had died about three years ago. Enquiries brought out the fact that the applicant had been adopted by another woman subsequently, but this had not been recorded. He was granted leave, though admonished that he should help keep his records up-to-date. In deserving cases, if one source of loan was not permissible, Lall takes pains to grant an advance from another fund.

I also had the privilege of working under N.N. Wanchoo, the secretary for the ministry of industry when I was heading the National Productivity Council. Whenever I went to him with a request, a recommendation or a plan for approval, he would hear me out and ponder for a minute or two before saying, "I will let you know my decision soon."

Once, when we were in Seoul, South Korea to attend an international meeting, I made bold to ask him on a mellow evening why he did not give his decision on the spot. He smiled and said,"I allow every idea, big or small, enough time to show up its good points and weaknesses. With a more comprehensive understanding of the problem, I greatly decrease the chances of any error of judgement." A very wise statement indeed.

CASE HISTORY

Let me recount one more case history. Since this is not a pleasant narrative, I shall not mention the names of the individuals or the organisation involved.

In a factory in West Bengal, for several months, a worker had been putting in requests for a transfer from the foundry shop to the assembly line. His reasons were that the hot fumes made him cough a lot at nights The supervisor ignored the request.

In desperation, the worker sought an interview with the foundry manager, much against the wishes of the supervisor and the foreman. Instead of conducting a private discussion, the manager made the supervisor and the foreman sit in at the interview during which the applicant employee was grilled over the nature of the "alleged cough."

Flanked by two antagonists, the worker was not able to give satisfactory and convincing replies. The least the manager could have done was to have sent the worker to the unit's medical officer, which he omitted to do.

Six months later, the worker died. The rest of the workers insisted on a post mortem. It was revealed that the worker had died of silicosis. The foundry manager was *gheraoed* and barely escaped with his life. Though he has settled down quietly in a small town near Madras, running a small-scale unit, the workers of the West Bengal company still refer to him with great ire as the arrogant killer.

To cull words of wisdom from popular fiction—especially crime fiction—is a hazardous exercise at the best of times. Yet with crime having become a highly organised business, this anti-social activity too has some lessons to offer students of management.

In Mario Puzo's novel, *The Godfather*, Tom Hagen, the family lawyer tells Michael Corleone, "You are nearly as good as your father. But there's one thing you still have to learn." "What's that?" asks Michael politely. "How to say no," replies Tom Hagen.

For managers too, turning down a request or application or rejecting a complaint requires finesse. It is this finesse which distinguishes excellent managers from the merely good

New stimulus in the lifeline of the nation

By ANAND P. RAMAN

A quiet but revitalised management team supported by a technologically committed government in New Delhi, is making a determined attempt to update the systems and technologies of India's largest commercial undertaking. As a consequence, Indian Railways has got off to a flying start in the first year of the Seventh Plan.

There's an air of quiet, yet discernible satisfaction in Rail Bhavan, New Delhi headquarters of Indian Railways, the country's largest commercial enterprise whose fixed assets (at cost) are valued at a mind-boggling Rs 9,890.82 crores and which employs no less than 1.6 million citizens. In the year ended 31st March 1986, the 133 year old departmental 'undertaking' of the Union government has produced operational results which have stunned its critics into silence and given a massive, even if unsung, boost to the national economy.

Indeed, for the 1.6 million employees of the second largest state-owned railway in the world, fiscal 1985-86 is likely to go down in the log book as a turning point. Despite having to operate a largely antiquated and obsolescence-ridden system, the iron-men of the railways, inspired by the purposiveness of a hard-nosed top management team of railwaymen, have recorded their best year ever, hauling an estimated 258 million tonnes of freight and transporting 3.5 billion passengers. With the performance of the infrastructure sector — notably power, steel, cement and coal — heavily dependent upon the transport input supplied by the railways, the dramatic, even if somewhat belated upturn in the performance of Indian Railways in the critical first year of the Seventh Plan has sent a surge of hope not only through Yojana Bhavan but the economy as a whole.

The very first signs that this behemoth, which transports over 9 million passengers and 0.75 million tonnes of freight every day, had broken through several physical and psychological barriers were discernible three months ago. On 26th February, the then Union minister of transport Bansi Lal, who until recently headed the newly created mega-ministry, under which the railways, surface transport, civil aviation and ship-

An Indian Railways train in the Western Ghats: operational results which have stunned its critics into silence



BusinessWorld
June 23—July 6, 1986

ping are grouped, rose in the Lok Sabha to present that unique document which underscores the importance of Indian Railways: the Railway Budget for the financial year 1986-87.

Belying apprehensions of a massive increase in passenger and freight rates, in his usual sombre, poker-faced fashion, Bansi Lal presented one of the softest railway budgets in recent times. While freight rates were left untouched, only a small increase in passenger fares was imposed which was so designed that it excluded 90% of the citizenry.

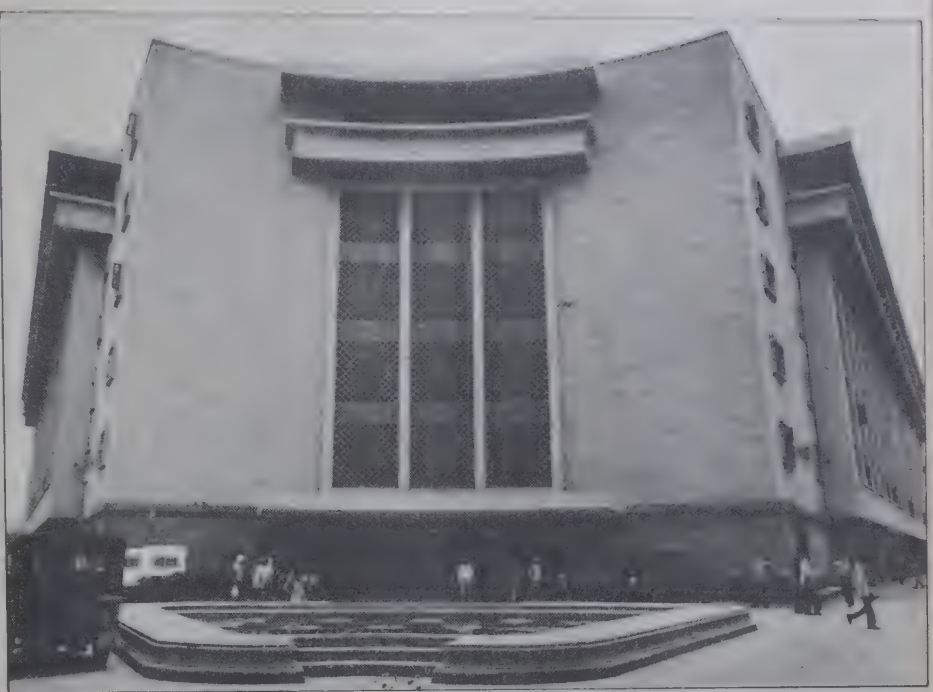
This unexpectedly soft railway budget immediately sparked a debate on whether this was purely a matter of political expediency to relieve the pressure on a beleaguered government. Many felt that the massive pre-budget revenue raising drive, which had sent the prices of foodgrains, coal and petroleum products skyrocketing, had so incensed the population that the Rajiv Gandhi administration had little option but to present a conciliatory railway budget. In this verdict and in the collective sigh of relief heaved by the citizenry, the rationale of the generosity advanced by Bansi Lal was largely unnoticed.

In spite of the considerable time lag that the collection of statistics for the entire network entails, Bansi Lal was emboldened enough to claim that "although in the current year 1985-86, there was a sharp increase of about 14 million tonnes in the target set for clearance of freight traffic by the railways as compared to 1984-85, the freight loading in the first nine months of the current year i.e. 1985-86 has been about 16 million tonnes more than in the corresponding period of last year and 4 million tonnes above the target set for this period in the current year."

Confident, therefore, that Indian Railways has exceeded its 1985-86 target of hauling 250 million tonnes of revenue-earning freight traffic, Bansi Lal estimated that the total revenue of Indian Railways in the recently concluded year at Rs. 6,339 crores for the full year, an increase of nearly Rs. 1,000 crores (18%) over the 1984-85 revenue of Rs. 5,358 crores. Consequently, for the first time in recent years, the Indian Railways' management was able to make a full dividend payment of Rs. 520 crores to the general revenues of the government and still end up with a surplus of Rs. 85 crores.

AMBITIOUS PLANS

On the foundations of this performance, the management of Indian Railways has drawn up an ambitious plan for the future stepping up of planned outlay by some Rs. 600 crores to Rs. 2,650 crores for 1986-87. Of this sum, for the first time, nearly 50% will be raised internally. It is also symptomatic of the confidence of the railway top brass that they have proposed to enter the capital market during the course of the year with an issue of rail bonds to collect Rs. 250 crores from the investor public for the undertaking's modernisation drive.



Rail Bhavan, New Delhi: for the first time in many years a full dividend payment

Nor is such optimism misplaced. Despite the propensity to window-dress budgets, it is now no longer in doubt whether the Indian Railways' performance in fiscal 1985-86 was as exceptionally good as touted. The performance report (1985-86), submitted to the prime minister's office in mid-May, estimates that over 285 million tonnes of freight was transported by rail during the year, with the revenue component of this being as high as 258 million tonnes — a 10% increase over the previous year and the first time that the quarter billion freight haulage barrier has been breached. In addition, not only did the railways' 1.6 million employees load an all-time high of 25 million tonnes of freight in March, but the loading performance for each month of fiscal 1985-86 was an all-time high for that month!

With originating passenger traffic too on an upward swing at nearly 3,500 million, the aggregate transport output of the system which had been virtually stagnating at 170-180 billion net tonne kilometres (ntkm) for the last five years zoomed to 205 billion ntkm in 1985-86, the increase of 13.64% over 1984-85 being yet another landmark. As a top level railway board official notes with satisfaction, "For a long time, this 200 billion bogey had been haunting us and not a few within the railways doubted our ability to breach this barrier. I think the deed is now done."

As these increases in output had been achieved with little change in the strength of the railways' fleet of rolling stock, little wonder that what Indian Railways officials describe as "the prime efficiency indicator" i.e. net tonne kilometres per wagon per day on the broad guage network, also notched up an all time high of 1,288 in 1985-86, an improvement of 12% over 1984-85. Even traffic output per employee rose from 2.55 lakh traffic units to 2.66 lakh traffic units despite the suspiciously large employee strength swelling further. Indian Railways is clearly back on the rails.

Yet there was a special gift to the citizenry in the package of surprises presented by the Indian Railways to the economy two months ago. Since the pre-Independence era, the customer has never been the focus of the attentions of the top management of Indian Railways despite the undertaking's pretensions of being in the high-profile mass transit business.

NIGHTMARE DIMENSIONS

As a result, by the end of the seventies, the inherent problems of rail travel has assumed the dimensions of a nightmare. Winding queues for tickets, day and night vigils at booking counters manned by uniquely rude personnel, blatant blackmarketing and insufficient information: all this preceding an inordinately

slow, often delayed, journey in overcrowded, cramped, filthy compartments in which even drinking water is a scarcity. And above all, the confusion that is attendant on the average Indian rail journey ensures that travel on the lifeline of the nation is, at best of times, a risk-fraught adventure.

In the past, sporadic efforts have been made by the management of the undertaking to tone up the qualitative dimensions of the services offered to passengers. But last year witnessed a dramatic new initiative to ease the woes of the travelling public. After long years of needless hesitation, a decision to urgently computerise the passenger booking operations in the five nodal metropolitan cities in the country was taken. Not a day too soon either because Indian Railways is the only major railway in the world which depends on a complex and unwieldy manual system to dispense nearly 20,000 tickets per day of nearly 3,000 different kinds in each metropolitan centre.



Computerised reservation in New Delhi: dramatic initiative. Inset: Gupta

Even though plans for the computerisation of India's most gigantic commercial undertaking had been drawn up as far back as 1977, it was not an accident that by November 1985, within a year of the new generation Rajiv Gandhi administration taking charge in New Delhi, the first phase of the real time passenger reservation system had become operational in New Delhi. Based on a pair of DEC VAX-11 computers, the software for the system has been ingeniously designed by the public sector CMC Ltd., which had initiated research on this project way back in 1982.

In sharp contrast to the numerous teething troubles experienced by the public sector Indian Airlines when it switched over to a real time computerised reservation system, IMPRESS, Indian Railways' first phase computerised passenger reservation system in New Delhi, which handles all bookings for 50 trains originating or passing through this station, has been a smashing success.

As the dapper IBM trained N.C. Gupta (51), who has headed the undertaking's operations information systems (OIS) directorate from the time of its formation in 1981, points out, "I think the real time system has made a visible impact on our operational culture. Throughout this year's peak season, the notorious summer rush, the system has not only coped but drastically cut waiting time down to 15 to 20 minutes. Touch wood, we had virtually no breakdowns or bugs in the system."

ENCOURAGING REACTION

This is no idle claim as a visit to the reservation office in New Delhi indicates. A large number of passengers were inclined to heap encomiums. Seasoned travellers were virtually unanimous that the system has not only cut down waiting time but also reduced malpractices and errors. Even more encouraging has been the reaction of railway employees who now find their jobs much simpler, particularly at the end of the day when accounts have to be squared, which in the past took them many hours.

As the IMPRESS system is a decentralised one, Gupta points out that the installation of similar systems for Bombay and Calcutta is likely to be completed by December 1987, while Madras and Secunderabad stations will come on-line by 1989. "Here I am referring only to phase one of each system. In the second phase at Delhi we will accept reservations for trains from Old Delhi and Hazrat Nizammudin as well. We will also provide terminals at various stations and booking offices in the city," he explains.

With a mere Rs. 10 crores per node required by way of investment, Indian Railways could well computerise 75% of all its passenger bookings by 1990, with the networking of the different units also being made possible either through satellite or micro-wave channels. Indian Railways is steaming post-haste into the information era.

Behind this remarkable turnaround in the fortunes of the country's largest commercial undertaking in terms of capital employed, is a clear-cut strategy drawn up on the hallowed second floor of Rail Bhavan, the pink sandstone building that houses the offices of the railway board. Nor is it a coincidence that the present incumbent of the highly respected office of the chairman of the railway board, Prakash Narain (54), took over his charge in July 1985. Indeed, the change in the operational ethos, which has permeated well down the line, can be directly attributed to the conscious efforts made by Narain to revitalise the clanking railways during the past year.

Not a few seasoned railwaymen are of the opinion that there could not have been a better choice than Narain, who, after a brilliant academic career, joined the Indian Railway Service in 1950, as a catalyst of change in the aged undertaking. Despite being a seasoned railwayman, in the past decade, this fact was virtually forgotten as Narain won his spurs outside the undertaking. Between 1969 and 1975, when technological changes were gaining ground in the agricultural sector, he was in charge of the crucial import and distribution of fertilisers as joint secretary in the agricultural ministry.

PIONEERING CONCEPTS

In November 1979, Narain was drafted to the Planning Commission as advisor (transport) in which capacity he was closely associated with the formulation of the Sixth Plan. By November 1983, he had taken over as the secretary in the Union ministry of shipping and transport where he made waves by pioneering several concepts such as the use of consortium funds for transport projects in metropolitan cities. And finally, reportedly at the instance of prime minister Rajiv Gandhi himself, last

year Narain was called upon to effect a turnaround in the fortunes of his parent organisation — Indian Railways.

The impact was immediate. According to insiders in Rail Bhavan unlike the past when the six members of the Railway Board, who constitute the brain-trust of the undertaking and are responsible for its administration and direction, have tended to pull in different directions, Narain has carried his team with him. As a consequence, general managers of the nine zonal railways also enjoy a higher degree of freedom to get results than ever before.

There is also widespread acknowled gement that relations between the Union ministry of railways and between the Union minister of state for railways Madhavrao Scindia, who is keen to prove his mettle, are excellent and that Narain has struck a good rapport with Scindia. Conservative railwayman that he is, Narain nevertheless seems to be fond of the hi-tech jargon which Scindia favours. For Indian Railways, in which the minister and the ministry, and the board have often been at loggerheads, this combination of youth (Scindia) and experience (Narain) is a much needed tonic.

Yet, tempting as it is to attribute the marked improvement in the operational performance of Indian Railways last year to personalities, to do so would be to over-simplify. The truth is that over the last 133 years, the vast majority of the much-maligned 1.6 million employees of Indian Railways have acquired formidable expertise in managing men and hardware. This is the critical factor which keeps the wheels of India's premier transportion undertaking clicking.

Indeed, the hardware at the disposal of managers in Indian Railways staggers the imagination. At last count, the undertaking boasted a total route kilometerage of approximately 61,850, running track of about 76,963 km and a total trackage of 1,06,124 km if the tracks in yards and sidings are also computed. Operating on a multi-gauge system, 54% of the total route km is broad gauge (1.676 metres apart) over which an estimated 89.4% of the total freight tonnage and 81.6% of the total passenger km was transported.

DANGEROUSLY AGED

As is the case in the domestic air route network, the main chunk (almost 80%) of the traffic is on "the quadrilateral and the diagonals" — the four corners being the metros of Delhi, Bombay, Madras and Calcutta which are linked by 61,900 route km of rail of which about 10% has been electrified. On this trackage, the Indian Railways management runs a fleet consisting of some 38,600 passenger coaches and nearly 3,65,000 freight wagons of 11 different types. This rolling stock was powered by 10,128 locomotives in 1984-85 of which 5,970 are steam, 2,905 diesel and only 1,253 electric traction. Yet Indian Railways' track and rolling stock is dangerously aged. According to railway sources, an estimated 30,000 km of track is due for renewal, as well as 10,000 coaches, 20,000 wagons and 1,000 locomotives.

In this context, part of the blame must be laid at the door of the Planning Commission. Despite the fact that in a country of the size and diversified economic structure of India, the transportation sector requires paramount importance, this sector and in particular Indian Railways has suffered a low priority in terms of sectoral outlays. The expenditure on this sector as a percentage of total plan expenditure has fallen from the 23.5% high of the Second Plan to a mere 12.1% during the Seventh Plan. Indian Railways in particular has been a major sufferer, with its share of the total public sector outlay totting up to a meagre 5.23% in the Sixth Plan. In the Seventh Plan, its share of the public sector outlay is budgeted at a higher 6.6%.

Even so, the issues which are likely to determine the scale of the plan outlays for Indian Railways is dependent upon the Planning Commission's assessment of the optimal inter-modal mix between rail and road transport. As the report of the National Transport Policy Committee (NTPC), which was set up in 1978 under the chairmanship of B.D. Pande as the first such initiative, so aptly pointed out, "The central issue of investment policy is to allocate total resources assigned for transport development between agencies of transport systems to meet the transport needs of the economy at minimum cost to society. The crux of the problem thus is to determine an optimal inter-modal mix in the context of dynamic growth and broad criteria for allocations between agencies of the transport system."

The thoroughly researched NTPC report which was supported by nine research groups and six other project groups went on to calculate precisely which segments offered the lowest cost option not just to the consumer, but to the economy as a whole on the basis of estimates of the volume and composition of future flows of traffic.



'For Indian Railways, in which the minister and the ministry, and the board have often been at loggerheads, the combination of youth (Scindia-left) and experience (Narain) is a much needed tonic'

COST ADVANTAGE

The verdict was unqualified: "Most commodity movements are economical by road for shorter hauls up to 300 to 250 km... but beyond this range cost advantage lies with the railways. The high value items like tea, cotton textiles and (raw) cotton are however an exception to this where the comparative advantage lies with road even for longer haulage," said the committee. In relation to passenger traffic, the NTPC noted, "For every case we have studied, rail passenger resource costs are consistently higher than those of highway transport for a length of journey up to 500 km."

Pande's plea to move quickly towards the optimal inter-modal mix in the transport sector through appropriate investment decisions, and the use of the pricing



Merchant Banking, four times better.

KB·MBD·3



Now plug into our global network for your offshore funding requirements in New Delhi, Calcutta and Madras as well as Bombay.

When companies like Orkay, Reliance, Nirlon, ONGC and The Statesman came to us for their offshore funding requirements, we had a lot to offer them.

A global network that keeps us in constant touch with every major financial centre in the world.

A team of innovative thinkers who look for solutions instead of excuses.

And a proven record of assisting blue chip corporations in their financial transactions.

These are the strengths that help give our customers the financial edge. Strengths that you can now tap in any of the four metropolitan cities.

Isn't it time we talked?

HongkongBank

The Hongkong and Shanghai Banking Corporation

Merchant Banking

Bombay • Calcutta • New Delhi • Madras

We give you the edge where it counts.

The unimportance of being Indian Railways

	Indian Railways' outlay (Rs.crores)	Transport sector plan outlay (Rs.crores)	Railways' outlay as a percentage of plan outlay (%)
First Plan (1951-56)	217	434	11.05
Second Plan (1956-61)	723	1,100	15.43
Third Plan (1961-66)	1,326	1,983	15.45
Annual Plans (1966-69)	509	1,032	7.69
Fourth Plan (1969-74)	934	2,522	5.92
Fifth Plan (1974-78)	1,523	4,087	5.97
Sixth Plan (1980-85)	5,100	12,412	5.23
Seventh Plan (1985-90)	12,334	22,971	6.6

Source Planning Commission

mechanism has been endorsed by the Rail Tariff Enquiry Committee (RTEC) headed by Dr. H.K. Paranjape. Although RTEC's brief was to redesign the complex freight and passenger fare structure of the railways with a view to determining the modalities of pricing in the transport sector, the report submitted in 1980 specifically mentioned that the railway system is best suited for transporting freight and passengers over long distances. The basic principle to ensure this was that all streams of traffic ought to meet their direct costs keeping in view considerations of social justice.

With the Union government unwilling to concede any such points, matters came to a head in 1980 when Kamalapathi Tripathi lost his job as Union minister for railways. Even the sacking of the entire railway board and the induction of the tough M.S. Gujral as chairman could not stop Indian Railways from going off the rails. The only good that came out of the RTEC report was the setting up of a Railway Reforms Committee (RRC), once again headed by B.D. Pande to suggest long-term solutions for putting Indian Railways back on the tracks. It was on record that no such review had been conducted since the Indian Railways Enquiry Committee under H.N. Kunzru submitted its report to the then government way back in 1947!

VIRTUALLY JUNKED

The RRC had an eventful tenure during which it produced as many as 25 detailed reports on various problems and prospects confronting the railways' management. The first of these reports was submitted in May 1982 and the last in March 1985. Quite obviously, the pace was grilling because of the six members who originally constituted the committee, only two (not even the chairman himself) survived the entire deliberations. While the reports of the RRC are as yet strictly confidential, it is widely believed that they have been virtually junked, although officially they are still under consideration.

The RRC's recommendations do not differ radically from the conclusions already arrived at by the experts. As the report on transportation (Part II, 6th October 1982) points out, "In the passenger business, the railways should gradually opt out of sectional and branch line passenger trains (largely by reducing them) and increasingly involve themselves with long and medium distance inter-city passenger trains and commuter-like traffic... For freight transport, railways must immediately opt for a shift in the inter-modal split and movement of long-flight and bulk traffic should account for 85% of the total railborne movement."

Not surprisingly, with the growth of the road transport sector over the decades, Indian Railways' share of both land freight and passengers has fallen sharply. In 1950-51, Indian Railways transported 89% of all freight traffic: by 1984-85, its share dropped to 58%. In terms of passengers too, the slide has been equally bad: from 74% in 1950-51 to a mere 41% in 1977-78.

Of course, it was never on the cards that Indian Railways would continue to dominate the transportation sector as it did in the pre-Independence era. But the problems that cropped up in the three decades since quickly nullified any hopes of the railways' management recognising the strengths and weaknesses of its operations and segmenting the market to redefine its future role.

In the NTPC, RTEC and RRC reports and recommendations, blueprints for the rational growth and expansion of Indian Railways exist. In the circumstances, it is a tribute to the managerial culture of the Rajiv Gandhi government that in the past year Indian Railways has begun to move in step with the basic premises of these reports — a small step which has yielded rich returns at once and affords a view of the shape of things to come.

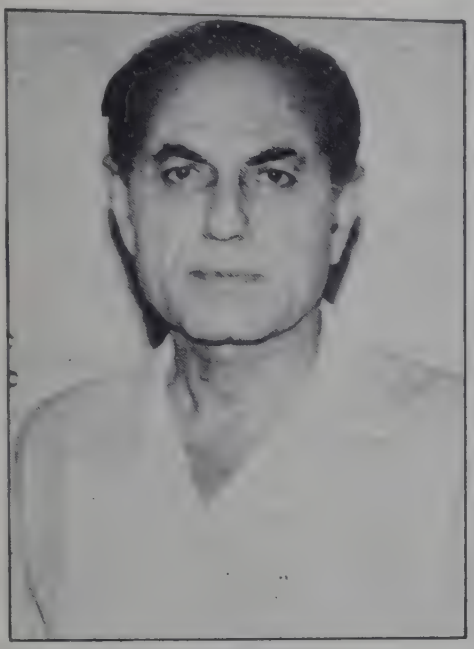
Comments C.M. Khosla (52), who, as executive director, traffic (transportation) heads the freight division of Indian Railways: "If you ask me why we are beginning to meet the stiff tasks before us, I would say first of all that now there is a relative clarity of the objectives before us." According to Khosla, an economic postgraduate of Delhi University whose forte is freight management, Indian Railways has taken a decision to concentrate the attention of its management on the movement of freight. Although it is a small fact, it is telling that the past year did not see even a single new passenger train being introduced.

Khosla: clarity of objectives



PUBLIC DEMANDS

Of this, Mahesh Kapoor (54), a brilliant transport planner, who moved over to Indian Railways from the Planning Commission as executive director of the newly created corporate coordination directorate at the same time as Prakash Narain, is quick to say, "We are not saying that Indian Railways is not interested in passenger traffic. Of course we are aware that the demands of the public for



Raina: cost of service criterion

passenger capacity must be met. During the summer holidays for example, we do run hundreds of specials. But the point is that we are only going to take on long distance and medium distance passenger traffic. We just cannot afford to run constantly stopping passenger trains."

An analysis of the railways' financial performance reveals that the railways lost about Rs. 1,000 crores over the years in its passenger operations, according to Kapoor. Contrary to popular belief, the rise in passenger fares has not kept pace with the rise in input costs. Consequently, the average rail traveller is being heavily subsidised. There is another side to the same coin. Many branch lines, which suffer the disadvantage of transhipment, have such low densities of traffic that passenger services are just not worthwhile on these routes anymore.

In 1984-85, Indian Railways incurred an aggregate loss of Rs. 67.40 crores on as many as 149 branch lines representing an investment of nearly Rs. 325 crores. In its report the RRC had recommended that 40 uneconomical branch lines listed by it should be closed down within one or two years. Yet, in the face of strong public resistance as well as political pressure, the management of the railways has not been able to stop operations on a single line. On the contrary, of the 22 new lines opened in the last 15 years, the only ones yielding reasonable returns are those sanctioned for the exploitation of mineral deposits.

There is a considerable volume of literature on the distortions that have crept into the passenger tariff structure of the railways. However, with the reluctant implementation of the recommendations of the RTEC report, there has been some semblance of demand management despite heart-burning among politicians. Thus, as Kapoor points out, "The explosive growth rates of passenger traffic of the sixties and seventies have given way to more moderate growth rates today."

TARIFF POLICY

The desire of the top brass in Indian Railways to ensure that tariffs are not kept artificially low is manifest from the undertaking's blue book: the *Corporate Plan 1985-2000*, newly drafted under the guidance of R.M. Raina, executive director (planning), and ratified by the board only last month (May). In the section on tariff policy, the plan says, "The tendency to keep railway tariff artificially low shall (*sic*) be avoided. The tariff(s) shall be so framed that the rates are based on the cost of service. No service shall be provided at a rate lower than the cost ascribed to that service. The contribution to total revenue would however be related to what the service can bear." However, it is doubtful if the owner of Indian Railways — the Union government — though quick to hike administered prices to trim its budgetary deficits, will approve.

Nevertheless, the Indian Railways' management has made its break with the past. Of the 3,773 trains that it originates every day, nearly 2,952 are ordinary passenger trains which crawl from station to station. It is not likely that such services will be augmented as most of them are losing. As the *Corporate Plan* puts it, most of this short-haul traffic should be transported by road, and hence Indian Railways plans to contain such traffic at the present level.

The high growth segment is undoubtedly second class travel on mail and express trains which at 7% per year has been growing sharply. Moreover, as this is a profit-earning service for Indian Railways — on the broad gauge lines at least — the idea is to budget for a 6% rate of growth over the next 15 years.

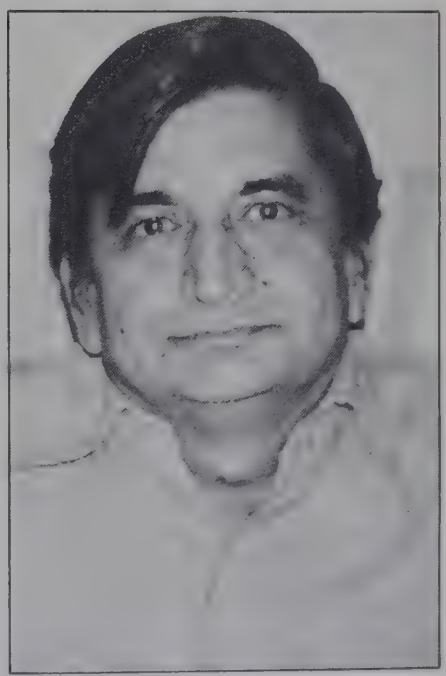
Comments K.K. Arora (51), executive director (coaching) of Indian Railways: "The second class A/C chair car fills an important gap between the first and second classes. It is not only popular for short and medium distances, it also makes optimum use of carriage capacity as one such coach carries as many passengers as two first class coaches."

The switch to such dust and noise-free coaches, which earn profits for the railways, is already in operation and is a trend that will be further accentuated with a planned growth of around 6% per annum. It would replace, in conjunction with second class A/C sleeper services, the conventional first class coaches which are a losing proposition

Finally, the top-of-the-line first class A/C services, which have been adversely affected by the rapid growth of Indian Airlines but continues to be popular for overnight and short distance inter-city business travel, have been projected to grow at about 4% per annum.

A bird's eye view of this strategy reveals that Indian Railways is planning to virtually double its non-suburban passenger traffic over the next 15 years: from the 182.32 billion passenger km of 1984-85 to around 318 billion km by 1999-2000. As the table alongside shows, this compares favourably with the recommendations of both the NTPC and the RTEC reports.

Crucially, however, much of this boom will come in the medium and long distance segment with the average lead or distance travelled by a passenger slated to double. Between 1950-51, when the lead was just 68.8 km, and 1984-85,



Arora: important gap

when it touched 125.8 km, the growth has been unspectacular. In terms of earnings, Indian Railways' managers are assuming that non-suburban passenger revenue, which contributed about 24% of gross traffic receipts last year (1984-85), will decline to just around 20% by 2000 AD, at current tariff levels. As Kapoor points out, the emphasis will be on "improving the quality of our services through higher speeds, and many more modern amenities."



INDAL.
Moving with the times.

INDAL. Introducing just about every alloy of aluminium in India. Pioneering practically every end-use. Committed to make aluminium a way of life. From foil packed life saving drugs to currency coins, to high rise claddings, to industrial roofings, to fighter aircraft, to transformer winding sheets..... And now, India's entire commercial transport industry is being taken to new heights of efficiency and profitability with INDAL's pioneering efforts. Light weight, high strength, extruded systems will transform the basic performance parameters of the road transport industry in tune with prevailing international standards. In energy savings. In increased payload. In better economy of maintenance. That's just one example of the many new directions INDAL is moving in.

INDAL is the first aluminium company in India to go into chemicals. Special grades of alumina and hydrate have been developed by INDAL for newer and more high-tech uses in conveyor belting, ceramic fibre, refractories and insulators.

Also in the pipeline are new projects in chemicals, extrusions and sheets. In Balasore, Orissa, INDAL has set up Orissa Extrusions Limited in collaboration with IPICOL, to make specialty extruded products. In Haldia, West Bengal, INDAL has planned a new caustic/chlorine project employing the very latest pollution free membrane cell technology.

Thus, aligning today's breakthroughs with tomorrow's priorities, INDAL stands poised to take off into greater heights than ever before.

Indian Aluminium is Indian aluminium

INDAL

Indian Aluminium Company, Limited

CONTAD/INDAL/3-86

Indian Railways' traffic estimates *(1999-2000)*

	Freight (billion net tonne km)	Non-suburban passengers (billion passenger km)	Suburban passengers (billion passenger km)
Actual traffic (1984-85)	182.2	182.3	44.3
National Transport Policy Committee	435-468	300	126-162
Rail Tariff Enquiry Committee	406	320	168
Railway Reforms Commission	375	280	120
Railways Corporate Plan	385	318	106

Source: Indian Railways Year Book 1984-85

In this context, one of the most controversial ideas floated by railway planners is the development of high speed corridors with trains running at 200-250 km per hour on a dedicated track on heavy density passenger routes. In fact, according to a confidential report on the modernisation of the railway system currently being prepared by Rail India Technical and Economic Service (RITES), it has been suggested that a feasibility study to consider the potential of the Delhi-Agra-Kanpur route for such a futuristic corridor be conducted.

Despite the recent commercial success of the French TGVs which cover the 270 miles between Paris and Lyons in exactly two hours, it must be recalled that the only other comparable line in the world is the Shinkansen in Japan, on which run the so-called bullet trains. And this was a one-off gesture, a symbol of Japan's newly emergent industrial and technological strength. If Madhavrao Scindia is to be believed, then the time is ripe for an indigenous symbol of the same sort which would gain Indian Railways the glamour it sorely lacks today.

DELIBERATE OMISSION

But if throughout this analysis no mention has been made of Indian Railways' role in meeting the needs of suburban commuters, the omission is deliberate. Although the railway management does plan to augment its suburban passenger capacity from the present 44.26 billion pkm to 106 billion pkm by the year 2000, the question that is increasingly being asked is, should this be Indian Railways' responsibility? Even if rail is the most cost-efficient solution to meet the needs of the metropolitan cities, it is felt that separate city-level organisations should take over the management of such systems from Indian Railways, which would only provide the technical inputs necessary for this purpose.

At the other end of the spectrum, Indian Railways is fast acquiring the reputation of being the beast of burden for the infrastructure sector. As Khosla proudly explains, "We are in the bulk business, with nearly 90% of our freight tonnage being commodities like coal, fertilisers, iron and steel, iron ore and other ores, cement, petroleum and crude oil products, foodgrains, limestones, dolamite, etc. This is our future area of growth and opportunity." Indeed, according to Indian Railways' projections, by 2000 AD, in tune with the growth of the economy, the railways will have to carry about 594-634 million tonnes of traffic as against the 285 million tonnes in 1985-86: more than double their current load. Speeding up the utilisation of special purpose wagons will be the widespread use of new wave freight handling systems.

While this will primarily consist of bulk freight, it could result in Indian Railways transporting 65% of the national freight traffic transported on land as against its present share of 58%. The management's objective is to bolster the railways' share of the movement of eight main freight items in the transportation of which it has a clear cost advantage. Yet Khosla also remarks, "It is true that the bulk of high value commodity transport is not carried by the railways. But we are determined to attract such traffic back to us through a combination of aggressive marketing and innovative techniques. But it must be long lead traffic."

Perhaps the reason underlying this lack of interest in "other traffic" has been a conceptual shift: from wagon loads to unit train loads, which optimise the railways' operations. Much of the bulk traffic moves in block trains, from origin to terminating stations, bypassing intermediary yards and are therefore much faster and more cost effective. As Khosla dramatically says, "The salvation of Indian Railways lies in maximising movement in unit trains; there is no going back on this. As such the movement of less than train load traffic will tax our ingenuity."

MARKETING STRATEGIES

But a beginning has been made and a series of networked marketing strategies are being drawn up. A case in point is the recently introduced speed link express services which run on specific days of the week along the lines of the quadrilateral and the diagonals on a point to point basis with deliveries of goods guaranteed within specific time-frames. The long-term solution as Khosla readily admits is for the container revolution, both domestically and from the ports, to gain momentum.

With Indian Railways already operating five inland container depots (ICDs) and a move having been initiated to allow the private sector to set up ICDs of



5 for 2 Bonus!



The B-25 super micro

"Designed on a cluster concept... the B-25 on a standalone basis is at least 4 to 5 times as powerful as the IBM PC/XT... Supports MSDOS and CP/M."
– Smith Barney Research

- **Affordable Power**– Mini-computer power at micro-prices
- **Built-in Clustering**– to share data and peripherals as your needs grow, without forming islands of information
- **Enormous Growth**– to handle your growing needs without disruptive replacement of computers
- **Multiple O.S.**– Multi-User BTOS, Single-User IBM-PC compatible MSDOS

Marketing offices at:
Bombay, Delhi, Calcutta, Madras, Bangalore

Tata Burroughs Limited

We provide total solutions

Shilpi TBL 8/86

Please send me a free brochure B W

Name: _____

Designation: _____

Company: _____

Tel. No.: _____

Address: _____

Mail to — B-25 coordinator
Tata Burroughs Limited
216-A, Manish Commercial Centre
Dr. Annie Besant Road, Worli, Bombay 400 025



The Empire strikes out.

AIR-INDIA's Maharajah expands his routes.

With the induction of the world's most advanced commercial jetliner, the Airbus A310, Air-India's programme for the future becomes a reality: a programme of expansion and modernisation that will place Air-India in the forefront of international aviation.

* With six new Airbus A310s, Air-India's fleet will comprise 20



odern passenger and cargo aircraft.

* Air-India will be the first and ly airline to offer wide-bodied mfort and a choice of all three asses, Maharajah, Executive and conomy — for passengers from India Nairobi and Lagos.

* A vast network in the Middle st: Muscat, Kuwait, Dubai, Sharjah d Baghdad, will be serviced by the Airbus A310.

* For the first time, Air-India will offer the luxury of a wide-bodied aircraft for passengers to Moscow.

The best in technology is matched by the best in service: hospitality and graciousness in the Indian tradition.

Come, get the best of both worlds: old-world hospitality and the brave new world of technology.









Link up with a leader

A company that speaks the same language as overseas business associates—the language of quality, of reliability, of discipline. An integrated steel plant that speaks the language of quality control from the raw material to the finished stage.

An innovative company which lays emphasis on research and development, where a spirit of self-sufficiency led to the establishment of the Growth Shop—a unique facility with the most up-to-date technology to produce machinery comparable to any in the world.

A company backed by a talented pool of engineers and skilled technicians, with the expertise to handle any project—feasibility planning to mineral exploration, designing steel plant equipment to developing mines.

A company where closer association of employees with management has created a sense of belonging and pride—resulting in over 50 years of industrial harmony. A company that has given the lead in action and in ideas.

TATA STEEL

The first and still the foremost

TIS 6217



their own, Indian Railways managers are hoping to boost their use. In addition, a container freight service (CFS) station for the consolidation and dispersal of less than container load freight was recently set up in Delhi as a forerunner of many such nationwide.

Khosla also sets great store by the freight forwarder scheme which is available on as many as 75 routes at present. "This is the best way of ensuring the inter-modal usage of transport. I think we should go further and instead of accepting freight at any station, set up nodal points which will function as freight collection centres. In consultation with local industry, we can plan unit train movements from a specific station to particular destinations and/or via a particular junction," he says. This offers a renewed lease of hope to the captains of industry for whom the callousness and inefficiency of the railway in the past has meant a costly shift to an almost exclusive reliance on the trucking industry.

ENORMOUS TASKS

The battle has thus been half won. With the clarity of purpose firmly established, after long years of indecisiveness, the Indian Railways' management has swung into action to revamp their systems on a selective basis. Confronted with critical resource problems, the undertaking's management has opted to boost efficiency and cut costs with the aid of the best available technology in the world. To tackle the enormous tasks ahead, the first priority has been to computerise its operations. A mammoth Rs. 520 crore project for the introduction of a two-tier freight operations information system has already been flagged off.

For the biggest such project in the world, Indian Railways signed a consultancy agreement in June 1985 with CANAC — the software wing of the Canadian National Railways — for setting up the core of the system which will monitor and control the dynamic assets of the railway on a system wide basis to optimise performance. As N.C. Gupta, executive director (office information systems) points out, "This will have a major impact on the viability of the railways by permitting monitoring, systematisation and optimisation of the rolling stock, routes and track."

This project will also necessitate the complete transformation of the communication channels of the railways for which purpose, a global turnkey tender was recently floated. The feasibility study conducted by DETECON, a West German firm, has suggested the use of microwave and fibre optic systems with satellite links as a back-up. Funded by the World Bank, TOPS as the system has been christened, is likely to be operational by 1991, two years ahead of schedule.

Augmenting this will be a number of zonal level yard management systems (ZYMS) which are being indigenously developed by the public sector CMC Ltd. While Indian Railways expects a 24% rate of return on its investment on a project lifecycle of 30 years, a single statistical indicator is self-explanatory. If, it is said, the turnaround time of goods wagons was reduced by just 24 hours from the current 12.8 days, Indian Railways' earnings would zoom by Rs. 500 crores per year! Technical progress can quietly reduce the horrendous costs which impose such a burden on Indian Railways.



Kapoor: trunk routes emphasis

This is vital because the system that Indian Railways will be operating in terms of lines will continue to be more or less along the same quadrilateral and the diagonals. Patterns of traffic do not seem to justify any major expansion into new territories except for a few project oriented lines that the railway management is willing to build and operate with funds provided by the directly benefited party, such as the MMTC in the case of iron ore exports.

As Mahesh Kapoor, director (corporate coordination) and quoted earlier, points out, "The only linework we will undertake will be to complete missing sections so as to develop alternate routes on the trunk routes which will continue to bear 80% of the traffic." Even the doubling of track is envisaged only on about 1,500 km of the main arterial routes. New lines, doubling of other sections and so on will be undertaken only after the full line capacity and throughput potential of a single line made possible with other technological inputs, is estimated. Thus only about 3,000 km of new lines (of which about 2,963 km have already been sanctioned) will be added during the next 15 years.

A halt has also been called to the old practice of the indiscriminate and patchwork conversion of metre gauge into broad gauge lines. With the extent to which the metre gauge network has penetrated, it is impossible and unnecessary that a single gauge system be superimposed, feel planners. As the RRC pointed out, the emphasis has been shifted to "considerably improve the transport efficiency of the MG system by change of traction and other improvements." And this is the crux of the induction of a liberal dose of hi-tech that the Indian Railways' management has sought.

PHASED PLAN

The years ahead will see a new generation of rolling stock being introduced. Both wagons and locomotives now shrieking around the country with that old faithful, the steam engine, are bound for the railway museum by the turn of the century. As the full benefits of the phasing out of steam traction will accrue only when the loco sheds are closed down, a phased plan to produce adequate numbers of branch line and diesel-shunting locos is very much on the cards.

As the existing diesel locomotives being produced by the captive unit of the railways, Diesel Locomotive Works, Varanasi, are based on a technology obtained in the fifties, Satish Kumar, joint director (traction) points out that a global tender for the import of 50 new generation diesel locomotives will be floated shortly. "These locomotives will not only be capable of higher speeds and are much more powerful with a HP of 4,000 as against the existing 2,650 HP locos, but they will also be 10%-15% more fuel efficient," he says.

This is not a signal that the Indian Railways' management has decided to jettison its electrification drive. On the contrary, as A.S. Sant (54) executive director (electrification) clearly outlines, "In the next five years, we have decided to electrify 3,400 route kilometres which is virtually double of what was possible in the Sixth Plan."

Yet behind this facade is one of the most distressing stories of the railways' inability to take full advantage of the

substantial benefits of electric traction, by adopting a systematic route-wise approach. Now, however, as many of the new projects aimed at completing vital links are under the watchful eye of the funding agency, the World Bank, it is on the cards that better results will be forthcoming.

In keeping with the electrification drive, a fleet of brand new 6,000 HP electric locomotives for heavy duty freight operations will soon be inducted. "Orders for 18 such locomotives — 12 from Hitachi, Japan and six from Asea, Sweden — of three different types at a cost of Rs. 52.19 crores have been placed," says Satish Kumar. After extensive field trials hauling 4,500-7,500 tonne freight trains on selected high density routes at speeds of 100 kmph, one or two types will be selected for manufacture at the public sector Chittaranjan Locomotive Works. In addition, upgradation of the present WAG V electric locomotives is also underway so that their present 3,900 HP can be increased to 4,500 HP.

GLOBAL TENDER

Simultaneously, an ongoing drive to improve the design and quality of Indian Railways' coaches has also been launched. A global tender for the import of 60 coaches (40 A/C, 20 non A/C) of the latest design was recently opened and the bids are under technical evaluation. While at least two different kinds will be imported of each, the best will be chosen as a prototype for manufacture at the Railway Coach Factory at Kapurthala in Punjab. These coaches are believed to be capable of being hauled at speeds of between 160-200 kmph.

While the introduction of the indigenously developed Box N type of bogie has been controversial, it has certainly helped Indian Railways to achieve 4,500 tonne train loads in accordance with the existing loop line capacity. In fact, as Khosla remarks, the railways is running 9,000 tonne freight trains already with the help of Locotrol — a wireless device to control a locomotive in the middle of a train from the leading locomotive.

The hitherto unsuspected potential of signalling equipment of the latest design, such as the microprocessor-based train describer systems, in boosting throughput has also been tapped. Delhi is the first to get such a system on the basis of tenders opened in January 1986. As a top railwayman, obviously thrilled at this hi-tech bonanza, exclaims, "Thank God, for once Indian Railways has chosen not to reinvent the wheel."

Quite true but others, not so easily impressed, point out that unless production capacities designed to meet specific requirements both in the private and

New railway age

The world's railways are making a comeback. Despite the almost universal decline in rail traffic during the last three decades, currently a record length of new railway lines is being built, planned or conceived in every major industrial country. While the Soviet Union and China are the biggest such builders, USA and Canada have been quick to follow suit. Similarly, ambitious expansion and renewal plans to augment and modernise national rail networks are being drawn up in West Germany, Italy, Switzerland and of course, rail-oriented France.

In Britain, the notoriously anti-railway Mrs. Thatcher has been forced to sanction much bigger railroad schemes than any of her predecessors. The list of developing countries following the same track is even more impressive: Australia, South Korea, Algeria, Morocco, Iraq, Brazil, Mexico, Bolivia, Turkey and even Saudi Arabia are investing heavily in beefing up their national railway systems. Quite clearly, this is the first spurt of such activity after the mid-19th century when railway networks spread with fantastic speed and rapidly assumed their present form.

The links with the past are also being snapped in more ways than one. Until hitherto, railway systems were believed to be economically unviable, to be reluctantly provided by enlightened governments. As a result, even today, the government of virtually every country with a railway system grants it subsidies ranging from 22% to 80% of operating costs.

Huge sums. Even the US federal government had to bail out Penn Central in 1971, nationalising the company as it went bankrupt. For 15 years now, the administration has sunk huge sums of federal money into restructuring the system into two profitable divisions: Conrail for freight and Amtrak for long haul passenger services, both of which are only now likely to be privatised.

The major operational advantage of railway systems is that they offer speedy transportation of bulk freight. In Britain, the average size of wagons doubled between 1966 and 1976; in the US the capacity of each car, i.e. wagon, has risen from an average of 56.7 tonnes to 68.6 tonnes and the weight of the average train has risen from 1,871 tonnes to 2,432 tonnes. But the records are inevitably set by the Russians. The average capacity of their wagons has risen to over 82 tonnes and at the moment they are known to be experimenting with eight axle wagons and sleeping car trains of 24-32 coaches. Soviet railway managers have even test-run a train 4,668 metres long, weighing 30,220 tonnes which they despatched over a distance of 1,130 km.

Size, however, brings with it inflexibility and in Europe, it is the transnational traffic which offers the best prospects for growth, accounting as it already does for 66% of freight traffic in the Benelux, Austria, and in Switzerland and over 60% in Italy and Norway, 33% in West Germany and over 25% in France. In the US, the new pattern of America's trade — exports of coal and grain and imports arriving at the Pacific ports which need transporting to markets in the east — have helped the growth of its railway systems.

New advances. Above all, it is technological change which is helping railway managements the world over to come into their own. The use of computers, electrification, improved fuel efficient diesel engines with lower maintenance costs: these are the new technological advances which help the railways push up speeds and push down costs. A typical example is the French TGV railway which runs at speeds of 150 miles per hour (mph) and has been a commercial success as well, making profits from day one despite heavy investment.

But important as speed is in the surface transportation business, there is a limit beyond which it ceases to make economic sense: new lines require a combination of enormous demand and long distances. While most railway managers — such as those in Britain, West Germany and Italy — have plans of designing trains running at speeds of up to 200 mph, the experience of the Japanese and the French has blunted such unbridled enthusiasm. Yet, it can hardly be denied that it is the avalanche of long-overdue technological breakthroughs which have given the world's railways the confidence to survive in a new hi-tech era. For the first time, after nearly a century, the second railway age could well be down the line.

The entrance to the office of the chairman, Railway Board, is on the far side of Rail Bhavan through the inconspicuous looking gate No. 4 which is constantly guarded by armed security personnel. On the second floor of this mammoth building, Prakash Narain (54), chairman of the board, sits in a spacious office dwarfed by a massive table that is cluttered with papers bound up in typical government style. Anand P. Raman spoke to the man who guides the destiny of the second largest railway in the world . Excerpts from the interview:

■ Railwaymen are quite enthused about Indian Railways' performance in 1985-86 and subsequently, how do you rate this performance which is also a personal landmark for you?
Well, the year did coincide with my taking charge. I think we have managed our system in such a way that good results have been forthcoming. There have been a couple of good years in the recent past prior to 1984-85 which was a stagnant year, but this last one year has been extremely productive.

■ The speed of the turnaround has been surprising. How do you explain this?
It was just that the slack in the system has been removed. With the same system, the crucial variable has been the loading of wagons which improved dramatically. But even in general, the pace of all-round improvement has speeded up and generated a high order of productivity in Indian Railways.

■ One point which often baffles observers is that the targets or records broken now had been set as long ago as in the sixties. In the light of this, are Indian Railways' recent achievements all that remarkable?
I think the targets fixed earlier were quite frankly, unrealistic. The basic idea was that the higher the target the more we would achieve. In recent years, the whole model of setting targets has been the prerogative of the Planning Commission which makes the target setting exercise much more realistic.

■ What do you think of the business environment created by the new Central government? Is it any different from the past?
I would say that the policy of the new government to depoliticise the administration has helped all of us in the infrastructure industries. Today, there is a much greater degree of freedom in decision-making. As a consequence, decisions are being taken on operational and economic considerations. This has created an excellent working environment.

"Our intention is to modernise and expand simultaneously."



■ What would you say is the essence of the current operational strategy of Indian Railways?
Well, our options are limited. It hardly needs to be stressed that the railways play a crucial role in the functioning of the infrastructure, particularly at a time when the economy is growing. Thus our operational strategy is to concentrate on the movement of bulk traffic with longer and heavier trains. Last year with the same wagon fleet, 9% additional freight was transported. I think except in the case of coal and steel where there was a shortfall due to lower offerings, the movement of core sector and sensitive commodities was above all expectations.

■ But this emphasis on the movement of freight has led to mounting criticism that passenger services are being ignored by Indian Railways. What is your comment?
I don't agree at all. When we have a shortage of coaches and locomotives, and our first priority is freight, it follows that very little capacity is left for passenger transportation. Nevertheless, we have still kept passengers high on our list of priorities and the emphasis has been broadened to include the quality of our services. The real time reservation system, more hygienic food and the rationalisation of timings have received our concentrated attention. And the feedback that we get whenever we meet people is that they are appreciative of our efforts.

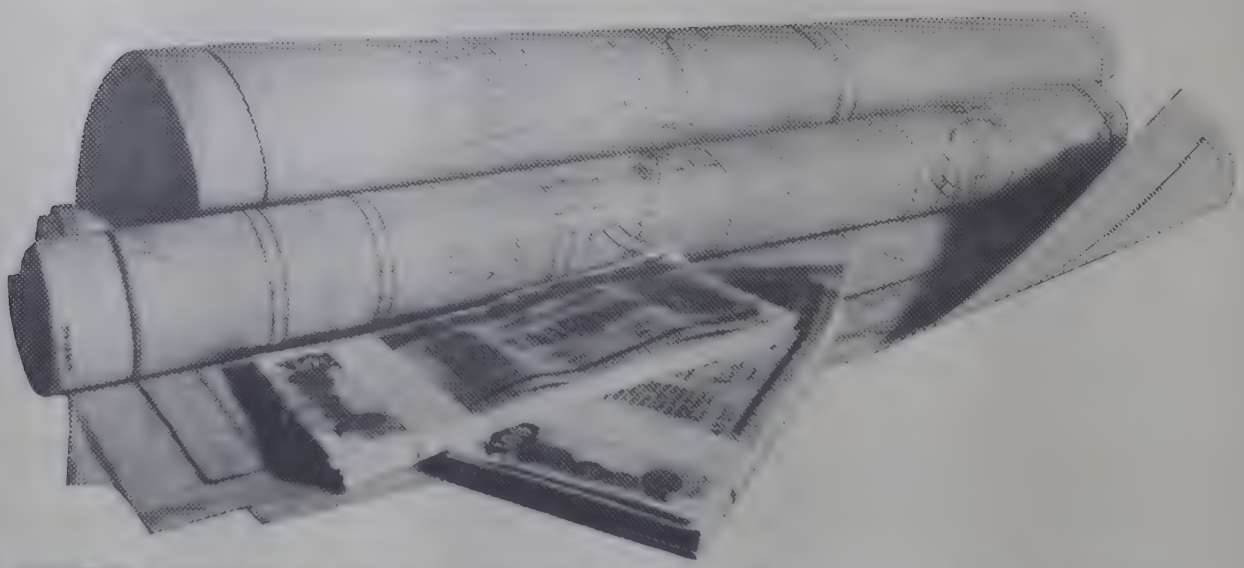
■ Now that your priorities are clear, what is the thrust and direction of your strategic planning for the future?
Quite obviously, we have to plan our fleet acquisition programme in advance of demand, making allowance for the number of old stock that has to be retired. Our intention is to modernise and expand capacity simultaneously. This perhaps explains why we are importing new types of coaches and engines together with the new technology to produce them ourselves in future. Once we get such rolling stock we will be able to run longer and heavier trains for longer distances which will improve freight and passenger services.

■ As far as the import of technology is concerned, in the past, Indian Railways has always introduced the best available technology. But technology development within the undertaking has lagged behind. What is the guarantee that this will not happen again?
We have adopted a two-pronged strategy in this regard. On the one hand, as against our normal conservative processes, we are going in for a massive infusion of imported technology at one go. On the other hand, we are stepping up our adaptation network as well as our R&D effort to ensure that indigenisation and the base for the future is well-laid.

■ Has the creation of a superministry of transport of which you are coordinating secretary helped in any way?
It is a beginning in the right direction.

■ Indian Railways is a mammoth organisation. How do you motivate the 1.6 million people working for the undertaking?
We have had a good relationship with our unions. And the only way to motivate people is to constantly monitor their progress. That is the best method to keep them result-oriented

We stake our money



When you stake your ideas

When you are setting up a new project or expanding or modernising your existing unit, let BICICO convert your blueprints into cash. Whether it is in engineering, basic drugs, chemicals, pharmaceuticals, cement, food, textiles, heavy machinery, consumer products—you name the project, we have the finance.

10 ATTRACTIVE FINANCING SCHEMES

To get your project off the ground BICICO has a range of 10 different schemes, with the built-in flexibility to adapt to your specific needs.

1. Term Loan
2. Equipment Finance Scheme
3. Seed Capital Assistance Scheme
4. Underwriting/Direct Participation in Shares
5. Bridging Loan
6. Modernisation/Rehabilitation Scheme
7. Interest-free Loan
8. Subsidy on Captive Power Units
9. Power Tariff Subsidy
10. Capital Investment Subsidy

PLUS COMPREHENSIVE CONSULTANCY

Apart from financing your projects, we provide a whole range of useful services from preparation of project report to selection of plant and machinery, consultancy and know-how.

MONEY ON TIME

We know how fast you need the money and try us for speed. Write to us TODAY.

BICICO

BIHAR STATE CREDIT AND INVESTMENT CORPN. LTD
Patna 800 001 Bihar
Phones 24131-5 Gram 'BICICO'

There's money in Bihar

CONTAD/BI/3/81

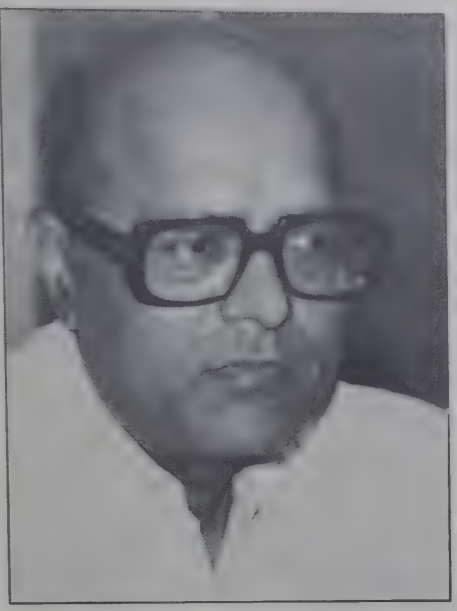
public sector develop, Indian Railways could find itself running harder to stay in the same place. With the setting up of a new coach factory in Punjab as well as a diesel locomotive components unit, there are signs of appreciation of this fact in Rail Bhavan. In this context, there is also a school of thought which believes the production units of Indian Railways ought to be cut loose from the apron strings of the ministry so as to permit them to find their own growth paths and sources of funding.

For, in the ultimate analysis, it is the tune of the piper to which the railways' management will have to dance. As S.K. Goyal (52), executive director (finance budget), points out, "Nearly 58% of our operating expenses are labour costs and 23% go towards the purchase of fuel. There is very little unproductive expenditure left to trim."

New operating policies must therefore see fuel costs fall by 20% and material costs by 20% over the next 15 years. While this is within the realms of possibility, it is puzzling as to how the undertaking's management will reduce labour costs except by drastic retrenchment which is bound to incur the wrath of the trade unions. It is suspected that a freeze on staff strength will be made so that the normal process of attrition will see an actual decline in labour by 2000 AD, reducing the total wage bill by 15%.

INTERNAL RESOURCES

Yet to replace its overaged assets and to build up sufficient capacity to meet the projected demand by the turn of the century, the Indian Railways' management has estimated that it will need Rs. 45,050 crores of which 55.6% will come from internal generation of resources. As against this, the undertaking has been sanctioned a Seventh Plan outlay of just Rs. 12,334.30 crores (27%), to part-finance which it will have to enter the capital market for the first time in its history. After months of wrangling, it is proposed to set up a Railway Investment Development Corporation which sometime this year will offer seven year rail bonds valued at Rs. 250 crores bearing a 10% rate of return and will be tax-free, to the public.



Goyal: limited cost-cutting options

Inevitably, this will only be the first of such forays by Indian Railways into the money markets. Recourse will have to be taken to further rationalise the fare structure in order to service and repay such expensive funds. And it is a moot point as to how long the politicians and the citizenry will take this lying down.

Despite the gloomy predictions of the Cassandras who have been forecasting collapse of the undertaking for well nigh three decades, Indian Railways is still chugging along. But even the railways' most ardent admirers won't deny that its rolling stock is dangerously overaged, as is the track on which its management proposes to run its super-fast and heavyweight trains. In addition, its signalling and telecommunications systems are outdated and the undertaking is overmanned. However, after a long period of stagnation since the late seventies, in the recently concluded fiscal 1985-86, Indian Railways has recorded a marked improvement in its operational performance.

TOUGH PROPOSITION

Thus, while on the debit side of the ledger successive managements of India's largest commercial undertaking have permitted — or more accurately, been obliged to permit — the neglect of its hardware, on the credit side, in terms of the development of its software or managerial skills, Indian Railways has undoubtedly come of age. Planning for the movement and carriage of 7,50,000 tonnes of freight and 9 million passengers per day on any transportation system no matter how conducive the general business environment, is a tough proposition. The major achievement of the men who manage the undertaking is that they have kept the arteries of the nation open in an entirely unconducive environment in which *inter alia* politicians, trade unionists, agitators and the growing number of the nation's freeloaders have all demanded — and in most cases obtained — their pound of iron from Indian Railways.

Despite these pressures which would quickly demoralise those with less iron in their souls, the men who manage Indian Railways have not only kept the wheels of this gigantic and perenially funds-starved undertaking moving, but have also attempted to update its systems and technologies. The operational performance of the undertaking in 1985-86 indicates that this emphasis on software skills development and productivity is beginning to pay off.

Though one year's operational results could at best be adduced as mere circumstantial evidence of a sustained upturn in the undertaking's performance, there is no gainsaying the fact a quiet but revitalised management team supported by a technologically committed government in New Delhi, is in the process of injecting a new stimulus into the lifeline of the nation.

Railway systems: how India compares

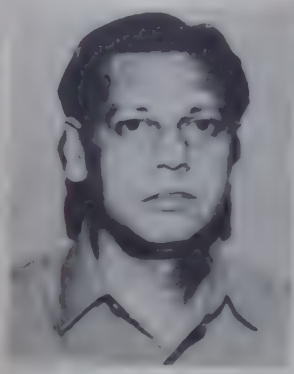
	Route km	Freight: Originating tonnage (million)	Freight: Tonne km (billion)	Passenger services: Originating passengers (million)	Passenger services: Passenger km (billion)
UK	17,200	145	17	695	30
USSR	1,44,000	3,725	3,600	4,173	348
China	52,500	1,010	664	1,049	177
West Germany	28,300	278	57	1,066	39
Japan	21,400	110	33	6,797	193
France	34,600	176	59	726	58
USA	2,76,000	2,563	1,050	282	17
Canada	39,600	107.4	220	NA	2.2
India	61,500	258	178	3,656	227

Source: BusinessWorld compilation

BusinessWorld
June 23—July 6, 1986

Company literature

P.V. SATYANARAYANA



This article, the ninth in the series on business information, will examine the value of company literature as an information source. Company literature can be utilised by a researcher for a variety of purposes that includes inter-firm comparisons, competitor analysis, leads for promoting new projects, industrywide sectoral analysis and production data. Company annual reports are also extensively used by investors, stock brokers and stockmarket commentators to make detailed analysis of the performance of companies. Company annual reports are being used by personnel placement firms as well.

Companies in India publish a range of periodical documents both for public and internal use. Such publications include annual reports, product literature, corporate profiles, seminar papers and house journals. Press statements and advertisements issued by companies are also good data sources. In addition, companies entering the capital markets also distribute leaflets and prospectus pertaining to the company's financial prospects.

IMPORTANT DOCUMENT

The annual report is by far the most important document released by a company. The annual report's circulation is generally restricted and is largely distributed amongst the company's shareholders and organisations such as financial institutions, banks, customers, government organisations, distributors and agents, with whom the company has business transactions. Company annual reports can be obtained on request by researchers, but generally companies are selective in distributing copies of the report possibly because of the high production costs involved in printing them.

Annual reports reveal a variety of facts that range from financial information such as sales turnover, profits and losses, the value of fixed assets, manufacturing capacities and actual levels of production to details of indigenous and imported raw materials consumed and the perspective plans of the company. The statutory requirements notwithstanding, the information contained in an annual report varies with each company. Business researchers can utilise the available information for a variety of purposes. Till recently, companies were also required to provide a statement of names and other details of personnel employed by them with annual salaries in excess of Rs. 36,000 under the provisions of s.217(2-A) of the Companies Act. Personnel placement firms have naturally found this information most useful for the purpose of creating and maintaining a personnel data bank.

Information from annual reports of companies listed with the stock exchanges are summarised and presented in varying formats by the *Stock Exchange Official Directory*, Kothari's *Industrial Guide of India* and the directories of the stock exchanges at Madras, Delhi, Calcutta and other centres. In addition, several periodicals pertaining to the stockmarkets al provide summaries and commentaries on selected companie

Annual reports of public limited companies listed with t stock exchanges can be referred to at the libraries of the shar holders associations in Bombay and other centres. The annu reports of public and private limited companies not listed wi the stock exchanges of the country have to be necessari referred to at the offices of the registrar of companies located various state capitals.

Company trade literature and product catalogues also serv as valuable information sources. Such literature is very usef in assessing competition especially from a technological angl Businessmen conducting research with the intention of de termining the most appropriate product mix or in order t assess the nature of the competition in a particular line o business, would find the study of product literature of com petitors a very useful exercise. Competitors' catalogues can b obtained through a number of sources, such as en users, trade fairs, dealers and other contacts.

House journals published by progressive companies another source of information. However, house journals whic provide purely cultural and social news about a company mus be clearly distinguished from those that incorporate commer cial news. A few Indian companies portray their achievement and product developments in quarterly newsletters that ar distributed amongst their customers, distributors, governmen organisations, chambers of commerce and business associates

'Company trade literature and product catalogues also serve as valuable information sources. Such literature is very useful in assessing competition especially from a technological angle. Businessmen conducting research with the intention of determining the most appropriate product mix or in order to assess the nature of the competition in a particular line of business, would find the study of product literature of competitors a very useful exercise'

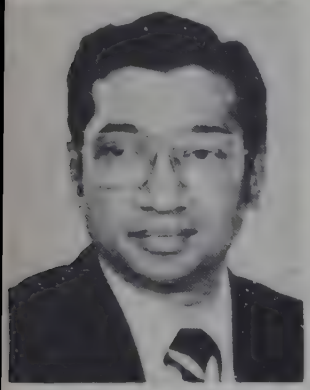
In India, the concept of house journal is still in the nascent stage and for the researcher, gaining access to such publications itself may turn out to be an arduous task. In the developed countries, the publishing of house journals and newsletters by companies to highlight their progress and achievements is a very common feature. A US press directory lists over 1,000 house journals regularly published and circulated by US companies. Even in the UK, over 500 company house journals are in circulation.

EXCELLENT SOURCE

The spate of public issues over the past few years has resulted in an enormous generation of information, especially on new companies and new industrial projects. Whenever a company enters the capital market, the usual practice is to undertake a publicity campaign through newspaper advertisements and distribution of leaflets and prospectus. While newspaper advertisements and leaflets provide basic information about the company, the prospectus is an excellent source of detailed information. The public issue prospectus contains a host of information covering the share capital structure, list of directors, background of the company, detailed project costs, outlook for the proposed project, purchases of plant and machinery including their sources of supply and costs, and the company's future plans as well.

Innovation prerequisites

WALTER E. VIEIRA



The February 17-March 2, 1986 issue of *BusinessWorld* featured a report on the most successful consumer products of the eighties. The list may or may not be complete—or totally fair. Any survey of this kind is bound to be dogged by controversies over why some product was included or why another product was not included. There are questions raised about the criteria used in selecting the product as a 'success' and whether 'product profitability' which is an important factor, has been taken into consideration. All these are valid questions and can be debated at length—and good arguments can undoubtedly be made on both sides of the issue. But there is also another point which arises from this listing.

How is it that the products of some of the smaller companies have made it into the top 10 (six out of the 10)—Hot Shot, Rasna, Promise, Money, Megabyte, Nirma—while the products of many of the larger consumer product companies in the country do not feature in the list?

The answer is not far to seek. The bigger companies lose their speed and momentum as they grow larger. The number of layers of management increases, thus creating a bureaucracy. The chief executive and top managers lose contact and communication with the marketplace. The management's attention tends to focus more on paper shuffling and administration rather than on ideas and innovation.

SAME POINTS

The *McKinsey Quarterly* (Winter 1985) however, features an article on eight giant corporations in the US who are still 'masters of innovation.' They include corporations like American Airlines, Apple Computers, Campbell Soup, General Electric, Intel, Merk, Phillip Morris and 3M. The author makes the same points concisely about these corporations as has been made at considerable length by Thomas Peters and Robert Waterman Jr. in *In Search of Excellence*.

These corporations have tried consciously to retain the zest, vigour and flexibility of the small enterprise, even though they might have grown into multibillion dollar businesses. Consequently, innovativeness has remained alive within these corporations. The number of management levels is kept within the bounds of absolute necessity; paper work and committee meetings are kept to the minimum as well; individual resourcefulness is encouraged; close contact between managers from the top to the bottom of the heirarchy is nurtured and motivation is kept at a high level.

But the lack of innovative thinking in large corporations is not a disease found only in India. It is a worldwide phenomenon. There is the classical case of Crest toothpaste, introduced in 1965 in the US by Procter & Gamble—the first fluoride toothpaste though with an unacceptable wintergreen oil flavour. It got over 30% of the market in the first year and shook the foundations of the 'toothpaste establishment.'

In 1967, both Colgate and Bristol Myers introduced similar fluoride toothpastes, again with the same unacceptable wintergreen oil flavour. Little wonder that, in spite of heavier advertising by both these brands of 'Johnnies-come-lately', they each achieved less than a 3% market share. It was Procter & Gamble again which introduced an additional product in 1967—another fluoride toothpaste but this time with the widely acceptable mint flavour—and captured another 10% of the market.

EASY WAY

Why did Bristol Myers and Colgate not think of a mint flavour themselves? Why did they imitate the innovator so blindly? Were Bristol Myers and Colgate not large corporations themselves with large marketing departments and great familiarity with the toothpaste market? The giants took the easy way out. It would have required a much greater effort for these giants to demonstrate the nimbleness of the small in size.

Cases like these abound worldwide and in India. There were new developments like the Xerox process, which was turned down by giant corporations as 'unmarketable.' In India it was Photophone which really brought 'easy photography' to the consumer. Not the large corporations which dominated the photography business. It was the small Pioma Industries which brought economical, to-be-constituted soft drinks to the consumer. Not the larger companies which dominated the syrups and squashes markets and could have set the pace.

It was small companies like Gits and Weikfield which brought common snacks like *idlis* and *dosas* to the consumer in ready-mix forms, when many other bigger corporations had the opportunity and wherewithal to do so. There are now car fuel saving gadgets and new designs of car jacks 'which can be operated by a child'; there are effort saving new design kitchen mixers and bath showerheads with instant heating arrangements.

All these and many more products are designed, developed and marketed by companies whose names we are probably unaware of. They are small companies with small resources fighting to survive in the marketplace. They need to think on their feet and stay ahead of the others. Like the less fortunate, they have to think harder and work harder to make progress. The well established companies create an environment of security and protection and efforts are directed at maintaining the status quo. In this process they lose the power to innovate, unless they purposefully put in additional efforts to nurture this quality.

IMPORTANT ATTITUDES

The larger corporations which have succeeded in maintaining the nimbleness and the flexibility of the small organisation have done so because they have adopted all or some of five important corporate attitudes: (i) They work under the constant pressure of change in technology and have a mortal fear of being rendered obsolete. (ii) They follow a system of cell mitosis—breaking up the organisation into strategic business units which are small and manageable. (iii) They encourage the generation of ideas at all levels, because good ideas can come from any source (sometimes the most unlikely sources) and create an atmosphere of participative management. (iv) They have tough internal testing procedures which separate the good ideas from the bad. (v) They balance risks and rewards in a way that prods employees towards product experimentation and so reinforce the fear of stagnation with the rewards of success.

Thus, even 100 year old and large corporations find in this five point formula the elixir of eternal youth.

The domestic role of the executive father

Among the many tradition-breaking social concepts which the Indian society's small but influential professional executive peer group has fathered, is the idea that child rearing or child care is an equally shared responsibility of both parents. While the mother's crucial role has traditionally received universal recognition and the extensive attention of laymen and professional social scientists, the same emphasis has rarely been laid on a father's all-important contribution to the rearing of children

Indeed in this country there is a shroud of silence on the subject, reflecting the traditional attitudes of society which dictates that the man's role is that of breadwinner, disciplinarian and law-maker while the woman's natural role is that of home-maker, wife and mother Thus, hitherto, the rearing of children was considered almost exclusively the task of women.

But with the spread of education, the emergence of the phenomenon of the working wife, the concept of sexual egalitarianism and the slow death of the joint family, the perception that fathers are equal partners in rearing children and that a polarisation of roles is neither necessary nor desirable, is taking root in contemporary Indian society. And typically, the seed of this awareness has been planted by the country's small class of business executives and other professionals.

In particular, with the gradual break-up of the joint family system in urban India, the family has been transformed into a smaller, more cohesive unit in which the interaction is no longer between a large number of individuals but directly between the father, mother and their children i.e. the nuclear family

NEW LIFESTYLE

Economic pressures and changing social mores have also led to the breaking down of traditional barriers which demarcated the roles of male and female parents. As a growing number of women go out to work, as much to supplement family incomes as to achieve equal status with their male counterparts, the nuclear family unit has had to adapt and change to meet the new lifestyle. Others who can step in to fill the gap left by an absent father or a busy mother are not easy to come by and the availability of household help can no longer be taken for granted.



Fathers and daughters: a role of new importance and dimensions

In the context of the many social changes which are redesigning the age-old social fabric, the role of the executive father in particular has acquired a new importance and dimension. It is no longer considered effeminate or unmanly within the professional upper middle class for male parents to take an active part in their children's upbringing, even to the extent of attending to the feeding, cleaning and bathing needs of children. The modern Indian—particularly the young upwardly mobile executive father—has been compelled by social developments and circumstances into establishing more than a secondary presence in the home or being more than a Santa Claus whom the children know exists but rarely see.

Comments Dr. Smita Shah, a child psychologist who has worked as a child guidance counsellor for 20 years and has had extensive experience in counselling both children and parents: "There are large differences in attitudes among different groups of fathers—often influenced by economic status. Generally professional middle class parents are much better at nurturing and grooming children. Professional parents tend to stress education and pay particular attention to this side of a child's development, as compared to business families where education is given secondary importance because the future is secure in the family business.

DIRECT REFLECTION

According to Shah, a child's behaviour is a direct reflection of parental involvement. "Just as boys take fathers as role models, girls often compare other men with their fathers and the understanding of life, attitudes and morals he has given them," adds Shah.

In particular, Shah warns busy fathers who tend to buy gifts for children as an expression of affection. Gifts themselves reveal much about the extent of a father's involvement with his children. If he is thoughtful of the children's interests and needs while buying them, children get the all important message that father cares. On the other hand, all too often, such demonstrations often become an unthinking routine—an attempt to compensate for absenteeism or preoccupation with work. Children are quick to pick up nuances such as these.

Some executive fathers—and thankfully this particular tribe is dwindling—

tend to treat the women in the family as inferior beings towards whom special consideration is unnecessary, without being aware that this attitude is being absorbed by their children. Thus a sense of respect in marriage—an equality of being and living—greatly influences the future outlook of children. Equally important is the need to protect children from acrimonious bickering between adults. Children pick up the tone and tend to exaggerate such tiffs in their own minds, turning quarrels between parents into emotionally threatening experiences.

Fathers' ready reckoner

Dr. Smita Shah, a well known child psychologist in Bombay, has worked as a child guidance counsellor for 20 years. An adviser to a number of schools in Bombay, Dr. Shah is also an adviser to the child guidance clinic run by the Maharashtra State Women's Council. She is married to a medical practitioner and has three children.

Given below are her ground rules for the busy male parent:

DO

- Be firm without being dominating. Say 'no' consistently but without resorting to force.
- Express affection adequately. Let your child or children know you care.
- Stimulate independence of thought and action. Help a child to distinguish between right and wrong.
- Find time to share. Participate in children's activities.
- Set a good example.

DON'T

- Do not pamper and over-indulge children. Have the courage to say 'no'.
- Do not resort to corporal punishment. Discipline them in other ways.
- Do not burden your children with unreasonable expectations,e.g. too much school work.
- Do not create a high pressure environment in the home. Allow a child freedom to develop.
- Do not create a communication gap.

The vast majority of psychologists and child care counsellors also warn against parents—especially ambitious fathers—burdening children with their own ambitions, expectations and status-consciousness, thus not allowing the child to develop an independent personality. Often this pressure is exerted in the educational sphere and it is not unusual for children to be pushed into academic disciplines for which they are unsuited. Tutors are often roped in to grill them in order to achieve parental expectations,converting a child's life into a monitored existence. The child then becomes an extension of the dominating father's ego.

Adolescence is a time when fathers can make a particularly positive contribution According to Dr. Shah: "When children emerge out of the tenth standard, they are confronted with a new freedom and are often pushed by peer pressure into smoking, drinking, premature sex and drugs. At this age, mothers tend to have less influence on children than fathers and the latter's role becomes crucial. Day-to-day contact and communication is essential as is an understanding of adolescent problems and pressures. Most important is the recognition of their feelings—hurt, anger, etc. This is the kind of help an adolescent looks for."

One of the many different roles a contemporary male parent is called upon to discharge is that of the actively involved father. Mahiyar Mirza (37), the chief executive of a Bombay-based firm of consulting engineers—Mirzan Instruments—is one of the new generation of fathers who strongly believes in the value of shared parental roles. His wife, Meherangiz, a business management graduate of the Jamnalal Bajaj Institute of Management Studies, Bombay, works full time as a sales manager in the Bombay-based Communications & Power Equipment Co. Ltd.

The couple have one daughter, Charmaine, who is now five years of age. "I consider our family to be a team of three and have always tried to ensure that we operate as a team. I don't believe that one should plead lack of time to help a child—I merely adjust my time schedule. We do not think of her as a poor little thing who has to be helped along and we never impose any activities on Charmaine either. Instead, we have tried to encourage her interests whatever they are at a particular age. I have tried to guide her as to what I think is right but acceptance is hers to make. Likewise, table manners or discipline—these are not imposed but guidelines are suggested to her through understanding talk and we find she has always responded well," says Mirza.



Shah: communication emphasis

PARENTING APPROACH

Mirza believes that every individual is entitled to his or her own opinion and this has been reflected in his approach to parenting. "We have never neglected her opinion, however childish," he says. "Her opinion is always asked in matters that concern her." Mirza also strongly feels that it is important to have a fulfilled person as a partner and wife in order to make a happy family unit.

Thus, the Mirzas exchange parenting roles very often. Neither has any psychological barriers about discharging any child care functions. For instance, Mirza toilet trained his daughter, changed nappies, got up for night feeds and plays music for her. He has the more flexible schedule and so often takes over the household chores.

"Many fathers' attitudes are reflections of their incapacity to cope with an unfamiliar situation," muses Mirza. "Within three days of Charmaine being born I could do anything for her even though I had never held a child in my arms before that. Fathers have a phobia that if they are working they are busy As far as I am concerned, I am never too busy for my child."

Sportsworld

From the Ananda Bazar Group of Publications

Let's take a look at sports with people who've played the game



The Kitchlu family: after two years a change in attitude

The Mirzas make a point of taking family holidays for which they prepare months in advance. They choose an itinerary and read about the place and look at maps—all with their daughter as an active participant."We don't believe just in classroom education so we think it's important to take a month off and do different things together," says Mirza.

Yet a familiar corporate stereotype is the constantly travelling executive. All too often such a peripatetic executive is also a parent. His work takes him away for repeated stretches of time, leaving the wife to cope with the children. One couple who have faced and lived with this situation is Dheera and Nitin Kitchlu (35), who have two children—Gautam (6) and Gouri (4). A history graduate of Delhi University, Kitchlu is currently the export manager of Metal Box, and often travels for two or three weeks at a stretch and then is home for a few days before taking off again.

Comments Dheera Kitchlu: "It plays havoc with the children and their insecurity shows at home and at school. Before I learned better, I used to keep talking about Nitin which I discovered to be a mistake. Since then I have learned that they adjust more easily if I don't keep harping about his absence or imminent return. I used to warn them that daddy would be going in a week. Not knowing what a week was, they'd be tense for days."

For a while Kitchlu too became what child care counsellors refer to as a Santa Claus parent. Whatever the children expressed a wish for, he would get it on his next trip, loading them with gifts. But after two years of playing Santa Claus, he found that it was the wrong attitude. Now he feels there must be some insistence on discipline. When he is at home he takes part in feeding, bathing and putting the children to bed. Apart from going swimming with them, he helps Gautam learn to ride his bike and they wash the car together. When he goes shopping he usually takes Gouri with him.

Comments Dheera Kitchlu who inspired her husband's changed attitude: "When he is with them he is an excellent father and we never shoo the children away. We do things as a family. When I am away he fills in very adequately and whenever there is a problem concerning the children we discuss it together."

STRONG RESENTMENT

Nevertheless, Dheera Kitchlu admits that it has taken the family considerable time to come to terms with Kitchlu's absence from hearth and home. As a new mother with no domestic help, she admits to often having become paranoid

in case something happened to the children while her husband was away and thus strongly resented his absences which she now accepts are part and parcel of his job.

She regrets, however, that there is hardly an opportunity for a family holiday as school and work schedules seldom coincide. Comments Kitchlu philosophically, "Although I often feel bad about being on the road so often I have never felt that Dheera could not cope."

While most fathers have to commute to work and often spend much time doing so, Ashok Hingorani (35), an economics and physics and chemistry graduate of Bombay and London Universities respectively and currently a Bombay-based computer software consultant, has made a conscious decision to manage his business from the home and is thus in the position of being an in-house father. Hingorani is married to Angela *(nee* Singh) who is a literature and social work graduate of Bombay University and has worked six years as a child guidance counsellor. Since Angela is also based at home, both parents have plenty of time for their daughter Pritika (4) who attends morning school.

Hingorani believes that a metropolitan city—particularly Bombay—imposes great pressures on the majority of fathers who have to "really scramble" to achieve a certain degree of financial stability and security. "In most nuclear family units, the male parent needs to do this full time and consequently the major portion of the task of rearing children devolves on the mother. Nor does the social milieu as yet permit the concept of the house-husband. In this country, parents have to work very hard to provide minimum financial stability for children. But even while this is being done it is not only important to give one's time to children but also to create a learning environment. For this, it is important to talk to children about flowers, animals, darkness, self-reliance, courage—these are important to endow them with a balanced perception of life. Unfortunately, living in high rise apartments, our children have to grow in an artificial environment," says Hingorani.

As an extension of his belief in the importance of nature, Hingorani feels that the fight for civic amenities like parks, security, etc., are also a part of the parent's role. Contemporary children are quite precocious and cannot be fooled, according to Hingorani. Consequently, parents need to strike a balance between being authoritarian and casual. "The image of the heavy treading father is crippling for a child. Fathers cannot have double standards—they must live the values they want their children to imbibe and teach by example—not by fiat or proxy," he cautions.

"The image of the heavy treading father is crippling for a child. Fathers cannot have double standards — they must live the values they want their children to imbibe and teach by example — not by fiat or proxy"



Ashok and Angela Hingorani with Pritika: learning environment emphasis

Angela Hingorani also believes that children need certain disciplined inputs and that executive or upper middle class parents in this country tend to be very casual about this. According to her, it is also important for a child to learn to be alone. "Pritika often barges in on her father while he is working. But though the office area is not out of bounds to her, when she goes into her father's office, she must have a genuine reason to be there and not just to indulge in a tantrum," she says.

While there is a gradual and belated awareness of the parenting role of the father in the newly emergent Indian—typically in the urban middle class milieu—the importance this role has assumed is indicated by the plight of single parent families.

PIVOTAL IMPORTANCE

Sherry Nagpal (33), widowed at 22, has experienced the stark reality of life without a husband and is in no doubt about the pivotal importance of the father's role in a child's life. "My husband was very fond of children and never hid his feelings. While I was somewhat indifferent, he was an excellent father. For example, he'd get up at night and change the children's nappies. I never had to tell him, he'd do it instinctively. Or he would take our son to the paediatrician for check-ups and it was he who kept height and weight records. He thought of the names for the children and when the child was sick he would sit up at night," recalls Sherry.

When her son Gyan was barely three, her husband was killed in a freak automobile accident and two months later her baby daughter Natasha was born. "It hurt my son that he lost his

As easy to use as a telephone. And just as indispensable.



Announcing the end of the line for complicated computers.

Hello Chi², hello simplicity.

Chi², the new Personal Computer from Chowgules.

Converse with it in a language simple and human: English. Trust it to run over 5,000 tried and trusted programs: Chi² is IBM PC/XT compatible.

Then look up its specifications. Chi² is simple enough to make computing look like child's play, but it's advanced enough to match costlier and bigger systems in capacity and speed.

Plus an experienced servicing team that's on call, whenever you call.

Sounds perfect, doesn't it?

So go ahead. Dial a telephone and get us on the line.

SPECIFICATIONS:

Microprocessor: 16 Bit, Intel 8088

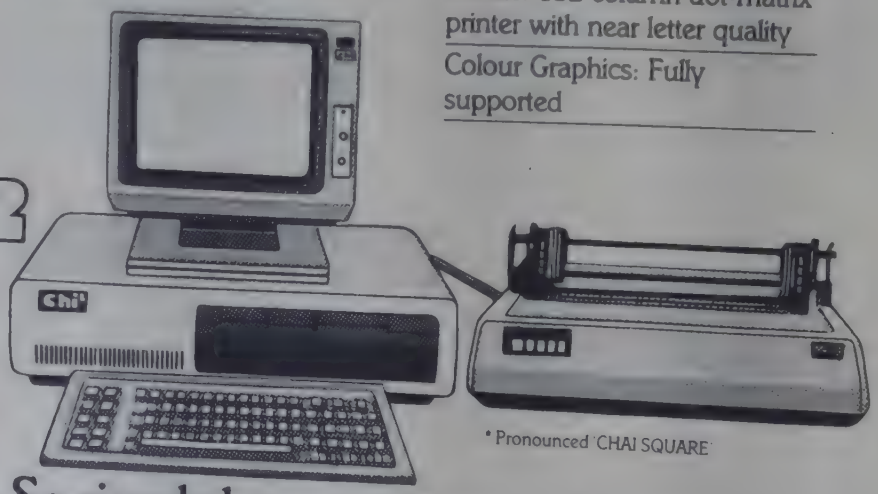
Memory: 256 KByte RAM

Storage Capacity: 360 KByte × 2 on 5¼" floppy (Chi²PC)
360 KByte on 5¼" floppy, plus 10 MByte hard disk (Chi² PC/XT)

Printer: 132 column dot-matrix printer with near letter quality

Colour Graphics: Fully supported

Chi²
PC/XT
THE NEW PERSONAL COMPUTER



* Pronounced 'CHAI SQUARE'

So simple because it's so advanced.

IBM is the Registered Trade Mark of International Business Machines Corporation

LINTAS CIL PC 112418

CIL
Marketed and Serviced by
CHOWGULE INDUSTRIES LIMITED
The new force in office equipment

Bakhtawar, 4th Floor, Nariman Point, Bombay 400 021. Tel: 2026182
M-3, Connaught Circus, AVG Bhavan, 2nd Floor, New Delhi 110 001
75C Park Street, 2nd Floor, Calcutta 700 016 Tel: 24[illegible]

father and two months later, along came a sister with whom he had to share his mother," recalls Sherry Nagpal. Living in a joint family she has been able to bridge many of the gaps—but not all.

"There are definite voids. As they are small children one can keep them with one and entertain them. But now at 11 and 14, they have needs I find difficult to fulfil by myself. My daughter Natasha cannot accept she does not have a father and tells others he is in America. She constantly wants to be shown pictures of her father and responds to male relatives rather than females. On the other hand, my son Gyan has matured so quickly it worries me. By the time he was 10 he would insist on doing my bank work, paying my telephone bill, etc. I have trained them to be independent and want them to stand on their own feet. As a single parent, I have had to expose them to a few hardships and harsh realities — perhaps they miss out on some of the naivete of childhood," she says wistfully.

Sherry Nagpal admits to often wishing that her husband was around if only to share decisions and responsibilities relating to the children. She feels a father would have been better able to encourage her son's enthusiasm for boxing, rockets and aeroplanes or be a better person to confide in on some occasions."I hope my children grow up to be strong individuals,"she says, "I have tried not to lean on them emotionally and burden them with my problems of loneliness and loss. I have tried to ensure that their lives are their own."

MATURE UNDERSTANDING

Contemporary Indian society has also seen a dramatic rise in the number of separations and divorces and consequently the divorced and the remarried father is not a rare species either. In such cases children can suffer extreme emotional disturbances, warn child care counsellors. Thus divorced parents have to develop a mature understanding between themselves and avoid subjecting a child to an emotional tug-of-war or indulging a child to win him or her over. Conversely, both parents become so involved in their recriminations that the child or children are totally ignored.

Likewise,in a remarriage, acceptance of the children of a previous marriage by the new parent is a factor of primary importance. "A child can forgive anything if he knows he or she is loved," says Dr. Shah.

Quite clearly, much more is being demanded of the male parent by the contemporary family unit and society in general. In particular, the demands on the professional executive father and husband—usually well-educated, upper middle class, ambitious and living in a nuclear family—are intensifying. The leisured—perhaps idyllic—time when the roles of the male and female parents were sharply demarcated and father went to the office while mother cooked, sewed and looked after the children, seems quaint and archaic to the vast majority of the post-Independence upper middle class generation.



Sherry Nagpal with Natasha and Gyan: father's role of pivotal importance

With the passage of time, the expectations of the typically nuclear family of the business executive or professional are rising. Yet these are not merely material aspirations. Executive fathers—particularly in cases where the mother too is a working parent—will be obliged to discharge a parental role markedly different from that of their male parent. This sociological development has coincided with the intensification of inter-firm competition in the marketplace and competition for promotions within the firm at a time when the state-controlled industrial infrastructure shows few signs of improved management.

Coping with the pressure generated by these parallel developments is likely to test the managerial capabilities of the much envied peer group of contemporary business professionals

Chandralekha Maitra

ZUARI AGRO CHEMICALS LIMITED

JAI KISAAN

STATEMENT OF THE CHAIRMAN SHRI K. K. BIRLA AT THE EIGHTEENTH ANNUAL GENERAL MEETING HELD ON JUNE 5, 1986



Shri K. K. Birla

Ladies and Gentlemen:

I have great pleasure in welcoming you to the Eighteenth Annual General Meeting of the Company. You have already received the Annual Report with the audited accounts and the Directors' Report for the year ending December 31, 1985. I seek your permission to take them as read.

I think it would be appropriate to briefly review the performance of the country's economy as a whole before I come to the affairs of your Company.
The country's economy has achieved a durable agricultural and industrial base, with sizeable infrastructural facilities. It is a proud achievement that our economy has, over the years since independence, attained remarkable maturity and potential for growth.

Both the agricultural and industrial sectors have put in a good performance during the last year. The first year of the Seventh Five Year Plan has started on an optimistic note. With good buffer stocks of foodgrains and adequate production and supply of manufactured goods, the economy is geared for sustained growth during the Seventh Plan period. However, the increasing the trade deficit is a matter for concern with rising imports and the slow growth in exports.

In spite of another capricious monsoon, we have had good harvests for the third successive year. The production of foodgrains during 1985-86 is estimated at about 151 million tonnes, which underlines the resilence that Indian agriculture has attained. According to reports, the buffer stocks of foodgrains stand at around 35 million tonnes. Food imports are a thing of the past, and we may emerge, within a few years, as exporters of foodgrains. There are, of course, areas where further effort is needed. There has been insufficient improvement in the production of oilseeds and pulses, and the production of sugarcane also has not been in step with the growing demand for sugar. During the current plan period, corrective measures, I understand, are being taken to overcome these weaknesses in the agricultural sector.

In the industrial sector the performance of the major industries was better compared to the previous year.

Production was stepped up in steel, aluminium, fertilisers, cement, automobile and electronics and other industries. The power situation improved substantially. The buoyancy of the economy was reflected in the capital market which witnessed an unprecedented mobilisation of resources.

These favourable changes in the economic climate have been caused mainly by the pragmatic policies initiated by the Prime Minister, Shri Rajiv Gandhi, and the dynamism and the enthusiasm with which the industrial and business community of the country have responded to these policies.

Coming to the fertiliser industry, I would say that although we have done well we cannot be complacent. The output of nitrogenous fertilisers is estimated at 4.3 million tonnes in 1985-86, an increase of 8.8% over the previous year and of phosphatic fertilisers 1.4 million tonnes, an increase of 4.4%. Capacity utilisation in the fertiliser industry touched an all-time high – 75% for nitrogenous and 90% for phosphatic fertilisers. Nevertheless, the fact remains that the country has been importing substantial quantities of fertilisers in the last few years. In 1984-85 imports aggregated 3.6 million tonnes of nutrients at a cost exceeding Rs. 1400 crores in foreign exchange. Obviously, one of the significant challenges before the industry is to step up production and complete new projects in time to minimise imports and stem the heavy drain on the country's foreign exchange resources.

The import of fertilisers does have a bright side as it reflects the sustained increase in consumption. According to the consumption projections of the Seventh Plan period, the annual growth rate is expected to be 11%. At the end of the Plan, the consumption would reach 14 million tonnes of nutrients compared to the current level of around nine million tonnes.

I have no doubt that our fertiliser industry, the fourth largest in the world, will courageously meet the challenges that lie ahead both in boosting production and in increasing consumption, particularly in the dryland areas and for crops like oilseeds and pulses.

Coming to the operations of your Company, I am happy to state that in the year under review the overall

performance of the Company continued to be highly satisfactory. The financial results of the Company during 1985 showed the gross profit increasing to Rs. 22.08 crores compared to Rs. 21.90 crores in the previous year. The profit before taxation was Rs. 17.27 crores as against Rs. 14.85 crores in 1984.

Similarly, the net profit was higher at Rs. 11.14 crores compared to Rs. 10.48 crores in the previous year.

The plant performance, as you must have seen in the Director's Report, was the best ever achieved by the Company. The capacity utilisation of the Ammonia plant was 95.8 per cent as against 90 per cent in the preceeding year. The NPK plant also registered a higher capacity utilisation at 116 per cent, compared to 106 per cent in the previous year. The Urea plant, however, operated at 86.4 per cent mainly because of the diversion of ammonia to the DAP plant. You will be happy to know that our DAP plant, which was commissioned last year, is operating extremely well. It was creditable that the plant achieved a capacity utilisation of 103.8 per cent during the very first year of operation. During the year we manufactured 210,752 tonnes of Ammonia, 293,783 tonnes of Urea, 174,182 tonnes of NPK and 155,657 tonnes of DAP. These figures bear testimony to the hard and dedicated work put in by our people.

As mentioned in the Directors' Report, our sales scaled a new peak at 584,245 tonnes compared to last year's sales of 528,245 tonnes. However, we were saddled with larger inventories. This was the result of the general glut in fertiliser availability experienced throughout the country due to large scale imports, higher indigenous production and the drought which affected demand. It is hoped that the situation would stabilise with the cutting down of imports by Government and expectations of a good monsoon.

New Projects

Last year I had referred to a number of new projects that are on the anvil. These projects are at various stages of development. Aravali Fertilisers Limited, a company promoted by your Company, was incorporated during the year under review. This company will be responsible for setting up the gas-based fertiliser complex at Sawai Madhopur in Rajasthan. A great deal of spade work has already been done, and I am confident that the project will soon gain momentum.

As regards our Cement project at Mandalgarh in Rajasthan, the Government has issued the Letter of Intent in our favour. This plant will have an annual capacity of one million tonnes. Preliminary work including prospecting has already been initiated. Other areas for diversification include a proposal to acquire a Phosphoric acid carrier which is awaiting Government approval. Also, in the field of high technology, we are pursuing our proposal to set up facilities for the manufacture of Electronic Transmission Equipment in technical collaboration with leaders in this field.

Let me now refer to the Company's successful efforts in environmental conservation. Here, we have set the highest standards of performance. As one of the most efficiently run fertiliser plants in the country, our plant has one of the most effective facilities for pollution control. I would like to assure you that we will continue to maintain a sincere concern for preserving and improving the environment.

We have continued to maintain an excellent safety record in our operations, thanks to the co-operation of the employees and the stringent safety standards followed by the Company. During the last year we won two first prizes awarded by the Goa Government as well as an international award by the National Safety Council, U.S.A.

I would also like to touch briefly on our philosophy of being a socially responsible organisation which is concerned about the well-being of the people in the neighbourhood and mindful of the larger national goals. We have taken up a number of programmes to meet our social responsibilities. These programmes include scholarships to deserving students, aid to educational and cultural organisations, farmers' visits to agricultural Universities and training of farmers in modern methods of agriculture. Last year, we introduced an Award for the most outstanding farmer – "The Krishi Samrat". The first outstanding farmer to be honoured under the scheme was Shri N. M. Chamankar of Sindhudurg district in Maharashtra, who is renowned for his pioneering efforts and contribution to mango cultivation.

As in the last year, I would like to touch on the present pricing system for the fertiliser industry. Whilst the industry is awaiting the announcement of the revised fair retention price, I would like to reiterate the need for the pricing policies to ensure that the industry receives a fair and equitable return on investment provided it works efficiently. It is hoped therefore that GOI's pricing policies will keep as their goal the need to encourage modernisation and growth along with high productivity so that the ambitious targets set for the industry by the Government in the Seventh Five Year Plan will be attainable.

Our industrial relations during the year continued to be cordial. I take this opportunity to express our appreciation for the valued contribution of our employees at all levels. I am grateful for their whole-hearted co-operation and unstinted support. I have no doubt that they will continue to work with the same dedication and spirit of fellowship.

I would also like to express our gratitude to the Government of India and the Government of Goa, Daman and Diu, for their guidance and support. I would like to conclude with an expression of thanks to our technical collaborators, United States Steel Corporation, for their continued co-operation which has been a source of strength to us.

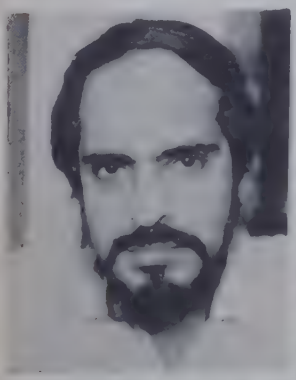
Thank you.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

BusinessWorld
June 23—July 6, 1986

Green issues

DARRYL D'MONTE



Judging by the coverage of World Environment Day (5th June) on television and in the press, the 'greening of India' is an idea whose time has come. The importance of protecting our natural environment has passed beyond the concern for pretty trees and endangered tigers and enveloped the whole well-being of citizens. It isn't often that the national television network carries live reportage on a weekday morning of a ceremony to plant trees; the evening was largely devoted to the subject too, including a quiz show.

In Bombay, the occasion also marked the release of an entire magazine devoted to ecology, somewhat inelegantly titled *Encology*. Edited by T.R. Saranathan, a former BARC scientist and activist of Socleen, one of the city's oldest and most dedicated environment protection groups, the magazine has a host of luminaries on its editorial board. It remains to be seen whether it can survive on the newsstands.

NEW TREND

A further idea of how far the environment message has spread is evident from a recent opinion poll conducted among readers of *The Illustrated Weekly*, which showed that it figured fifth in the list of subjects most in demand. In a country so firmly devoted to politics, this is certainly a new trend. By contrast, environment figures first in a country like Sweden, which has been plagued by acid rain caused by industrial pollutants which have wafted over from as far away as West Germany and Britain. Even in the US, which is also a politically alert country, environment features among the first five concerns.

The Centre for Science & Environment (CSE) in Delhi, with which this columnist is associated, did run a feature service for newspapers on environment issues for a few years but had to discontinue the service temporarily in order to bring out two 'State of India's Environment' reports. In turn, however, these 'citizens' reports' — as opposed to official versions — have both picked up items from newspapers and have been in turn widely excerpted and reviewed in the media. (It is often quite amusing to find a politician parroting facts and figures from the CSE reports, without any attribution. One must hasten to add, for the sake of the record, that the CSE categorically states that material from the books can be reproduced without permission, provided the source is acknowledged.

Why is the environment so much in the news today? The state-controlled media, one suspects, is taking its cue from — if not actually bowing to the *diktats* of — the prime minister himself, who has demonstrated his interest in environmental issues in no uncertain terms. He was earlier associated indirectly with the Indian National Trust for Art & Cultural Heritage and since assuming office, has set up the Central Ganga Authority and the National Wastelands Board, the latter headed by Dr Kamla Chowdhry.

As far as the independent media are concerned, however, environment figures so prominently because it's the stuff of which newspaper drama is made. Thus it is easy to spot the 'bad boys' and the 'good' in a dispute over the environment — typically, real estate sharks and old-time residents when a skyscraper threatens to loom, illegally, over the horizon. Since the basic rights of an individual — the rights to live, work and ingest unpolluted elements — are being threatened, newspapers rush to protect embattled individuals and groups.

ALTERNATIVE ORGANISATION

Often, truth is a casualty in such encounters. In Bandra, a seaside suburb of Bombay, for example, an alternative residents' association has been formed to counteract the activists who have fought against the construction of hotels, clubs and bankers' training institutes. The newspapers — or rather, to use their own coy phrase, "a certain section" — have featured the views of this alternative organisation unthinkingly, confusing those who are uninformed on such issues. Similarly, over the celebrated Silent Valley disputes in Kerala and the Thal-Vaishet case near Bombay, groups were formed by local citizens which lobbied *for* the projects in the erroneous belief that these would create jobs for local residents.

The press has to sift fact from fiction in these confrontations and not be party to any disinformation campaigns. In the Thal-Vaishet case, for example, one intrepid reporter writing in a Marathi paper in Thane had gone so far as to say that the Maharashtra government had opted for Thal, as distinct from Vaishet, as the site for India's first gas-based fertiliser plant, ignoring the fact that these are contiguous villages! In Silent Valley, Calicut politicians branded the campaign to protect the tropical rain forest as being masterminded by a coffee planter whose land would otherwise be swallowed up by the reservoir which would be formed if the dam was built. They even concocted a story about the plantation baron having studied in Cambridge with Indira Gandhi, which explained her partisan attitude (incidentally, she went to Oxford).

But the boot is sometimes on the other foot. Since the media is biased generally in favour of the environmentalists, it is possible for gross exaggerations and untruths to get published without the most perfunctory of checks. In the Thal-Vaishet case (the plant was initially to be sited at Mandwa-Rewas), newspapers reported that the plant would pollute the hitherto uncontaminated (by industrial emissions) environment of south Bombay, when the fact is that the reverse happens: pollutants from the city reach the mainland, not the other way round.

Similarly, the Silent Valley antagonists protested that the only habitat of the endangered lion-tailed macaque was threatened, when it has better forest homes elsewhere in the Western Ghats.

ENTIRELY POLITICAL

The press may also give so much space to environmental issues because it perceives the subject as 'non-political.' While it is true that environment isn't a party issue (though Silent Valley was, particularly for the dominant CPM), it is entirely political in essence because it questions not just the use of natural resources but their ownership and distribution as well. Thus the question of the rights of slum dwellers and of Adivasis in forests are burning political issues, as the emergence of the Jharkhand party in Bihar signifies.

If any further proof is required, it is the increasing strength of the Greens (*Die Grünen*) in West Germany who recently held a congress in Hanover to thrash out their electoral strategy in next year's national elections. Emboldened by the surge of support following the Chernobyl disaster, the Greens are demanding that West Germany quit NATO and abolish nuclear energy. While India's environmentalists aren't anywhere near such a bargaining position, they are beginning to make their voice heard at the grassroots on a broad range of issues.

AIR FRANCE LE CLUB
WHERE EXECUTIVES MEET



A COMFORTABLE CHAIR. ROOM TO STRETCH YOUR LEGS. QUIET CALM. A STAND-UP BAR TO RELAX IN. OR TO TALK BUSINESS. THAT'S AIR FRANCE LE CLUB, YOUR CLUB IN THE AIR. A SPECIAL SECTION RESERVED FOR BUSINESS TRAVELLERS ON ALL BOEING 747 FLIGHTS

EVERY DETAIL IS CAREFULLY PLANNED TO GIVE BUSY EXECUTIVES A PLEASANT FLIGHT. SPECIAL CHECK-IN COUNTERS. PERSONALISED SEAT ASSIGNMENTS. ATTENTIVE FLIGHT PERSONNEL. CHAMPAGNE TO WELCOME YOU ABOARD. AND A SUPERB FRENCH CUISINE.

WHEN YOU AND YOUR ASSOCIATES MAKE YOUR NEXT BUSINESS TRIP, DON'T SAY "MEET YOU AT THE AIRPORT". SAY "MEET YOU AT LE CLUB".

AIR FRANCE LE CLUB: WHERE YOUR COMFORT IS OUR BUSINESS.

AIR FRANCE

AIR FRANCE IN DELHI
6, SCINDIA HOUSE
JANPATH, NEW DELHI 110 001
PHONE 331.28.53

AIR FRANCE IN BOMBAY
TAJ MAHAL HOTEL
APOLLO BUNDER, BOMBAY
400 039
PHONE 202.48.18

graphisads/6838

When it comes to Uptron Computers and Data Communication, once is not enough...

for Air-India, State Bank, Dept. of Science & Technology, Hindustan Machine Tools, Indo Burmah Petroleum, Bharat Heavy Electricals, Hindustan Aeronautics, the Indian Institutes of Technology, Central Excise Dept., Indian Space Research Organisation, and many others.





UPTRON

10 Ashok Marg
Lucknow-226001

● Bombay ● Bangalore ● Calcutta ● Hyderabad
● Lucknow ● Madras ● New Delhi

Sea change in the soft drinks industry

By BINU S. THOMAS

Since the forced exit of the misleadingly nomenclatured Coca-Cola Export Corporation from India in 1977, the indigenous soft drinks manufacturing industry has expanded prodigiously.However,rapid changes in beverage packaging technology and the introduction of cheaper and more convenient concentrates, as well as the possible entry of PepsiCo Inc. into the Indian marketplace is changing the contours of this advertising intensive industry.

Even as the first showers of June signal an end to the long hot summer, they also mark the close of another hectic peak selling season for the nation's burgeoning soft drinks industry. Dominated by flavoured ready-to-sip soft drinks — which rake in about 95% of the estimated Rs.300 crore annual sales turnover generated by the non-alcoholic thirst quenchers (excluding soda) manufacturing industry in the country — the Indian soft drinks industry is believed to be second only to that of the US in volume of output.

However, a sizeable part of this market exists in the unorganised sector, about which even rough estimates are hard to come by. Almost every village — and there are 5,76,000 of them in India — has at least one soft drinks 'manufacturer' who churns out, if nothing else, the ubiquitous *nimbu pani*.

But in the organised sector where the soft drinks market is segmented into several sectors such as sweetened carbonated drinks, fruit juice-based drinks, concentrates, squashes, etc., the pride of place undoubtedly belongs to sweetened carbonated drinks. Within this segment, intensively advertised and nationally distributed brands such as Thums Up, Limca, Gold Spot, Campa Cola, Thril, etc., have become household names despite the low per capita consumption (three bottles per annum) of sweetened carbonated drinks in this country. In the US, for instance, the average American guzzled no less than 553 bottles of soft drinks in 1985 — more litres in the aggregate than even perhaps of water.

Among other things, this comparison provides a useful insight into the tremendous potential demand that exists in tropical India for soft drinks. And scrambling to tap this huge actual and potential market are not only a handful of indigenous organised sector soft drink manufacturers but a formidably heavyweight competitor from abroad as well.



For over a year now, Pepsi Cola International, a division of the US-based PepsiCo Inc. (sales: $ 8.47 billion or Rs.10,164 crores in 1985) whose Pepsi Cola is the second largest selling bottled soft drink (after Coca-Cola) in the world, has been making determined efforts to enter the Indian soft drinks market. Indeed the resoluteness with which PepsiCo has gone about wooing the Indian government, despite numerous setbacks, is evidence enough of the potential goldmine that this transnational which operates in 148 countries worldwide sees in the Indian soft drinks market.

When reports last came in PepsiCo,whose earlier proposal to tie up with the R.P. Goenka-promoted Agro Products Exports India Ltd., had been turned down by the government, has concluded agreements with two Tata group companies — Tata Exports Ltd., and Voltas Ltd.(see *BW*, Offstage, May 26-June 8, 1986). Under the terms of the agreement, Tata Exports will

handle the exports of branded processed foods and commodities on PepsiCo's behalf from India, while Voltas will undertake the indigenous marketing of the Pepsi concentrate. However, at the time of writing, it is still uncertain whether the new arrangement will receive the Union government's green signal.

Be that as it may, the proposed entry of PepsiCo is the subject of heated debate within the indigenous soft drinks industry dominated by four major manufacturers — Parle Beverages Pvt. Ltd., Parle Exports Pvt. Ltd., Pure Drinks (India) Pvt. Ltd. and McDowell & Co. Ltd. — which together have cornered a 91% share of the organised sector bottled soft drinks market. People with long memories within the soft drinks industry vividly remember the dominance of the Coca-Cola Export Corporation which had appropriated an estimated 70% share of the organised sector soft drinks market in the country before the company was given its marching orders by the then Union minister of industry George Fernandes.

Undoubtedly PepsiCo's grandiose plans have sent a chill through the newly emergent indigenous soft drinks industry. During a visit to India in mid-1985, Christopher R. Albright (42), senior vice president (India, Middle East and Africa) of PepsiCo revealed that the soft drinks giant planned to sell some 60 million cases (1.4 billion bottles at 24 bottles per case) of soft drinks within three to five years of entering the country. This is only marginally lower than the sales of all the indigenous organised sector manufacturers put together in 1985 which is estimated at 63 million cases.

INCREASED CONSUMPTION

Not surprisingly, given PepsiCo's considerable advertising muscle and the craze of indigenous consumers for 'phoren,' worry creases are discernible on the brows of managers in the soft drinks industry. This despite Albright's assertion that Pepsi will not eat into the business of Indian soft drink manufacturers but will expand the size of the national soft drinks market. "Far from adversely affecting local manufacturers, PepsiCo's entry into the domestic market will benefit them. In 1980 we entered the private sector market in Egypt. As a consequence, consumption of soft drinks increased from 31 bottles per capita to 63 by 1984 and sales of existing soft drink manufacturers increased considerably. We are firmly convinced that should this deal go through, the consumption of soft drinks which is currently 60 million cases will increase to 100-200 million cases in five years and that sales of existing manufacturers will more than double," Albright told *BusinessWorld* in June 1985 *(BW* July 8-21 p. 25).



Albright: market expansion forecast

Meanwhile, whatever their fears, for the record at least most manufacturers are putting up a brave front. "It's like any other competitor coming in. It's like, say, McDowell which came into the soft drinks market in a big way a few years ago. Moreover, we were at one time used to having Coca-Cola around. So what's new?" asks Prakash Chauhan (39), managing director, Parle Beverages Pvt. Ltd. (estimated sales: Rs.35 crores in the year ended 30th June 1985).

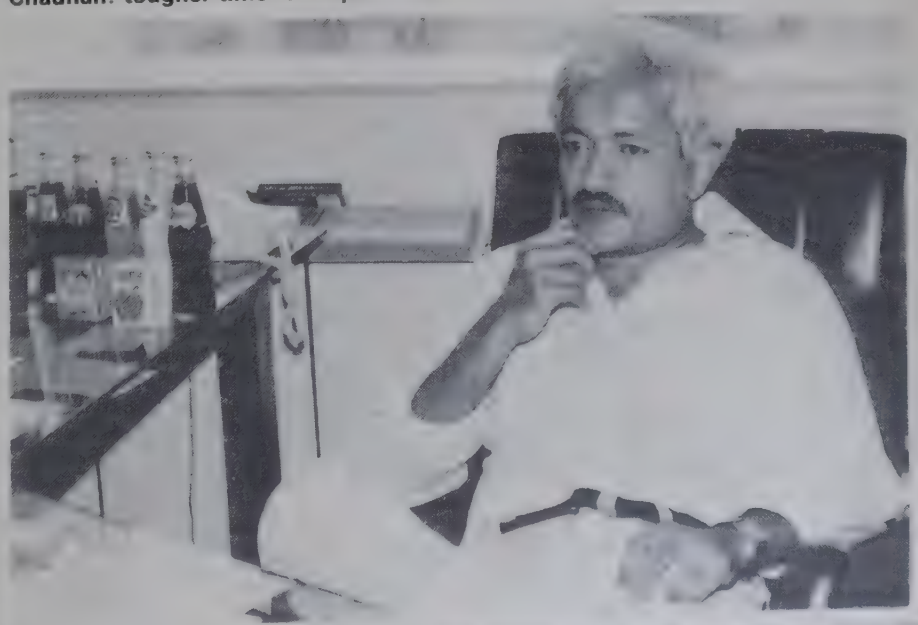
And although Chauhan's knee-jerk reaction is purely a defensive one there is little doubt that if PepsiCo does finally manage to enter the Indian market, it will find the going much more difficult than Coca-Cola did in the mid-seventies. For ever since the world's largest soft drinks manufacturer was served with an eviction notice by the Janata government in 1977 following its refusal to comply with FERA norms, the indigenous soft drinks industry has rapidly come of age.

In the eight years since the misleadingly nomenclatured Coca-Cola Export Corporation quit Indian shores, indigenous soft drink manufacturers have not only wooed indigenous customers but in the process have also more than doubled the market for bottled soft drinks from 25 million cases (600 million bottles) in 1977 to an estimated 63 million cases (1,500 million bottles) in 1985. But the major share of this newly emergent market has been cornered by one manufacturer —Parle— which has captured a whopping 61% share of the bottled soft drinks (excluding sodas) market in the country. Indeed, such is Parle's dominance of this segment of the national market, that the story of the soft drinks industry, ever since the unceremonious exit of Coca-Cola, is virtually one of Parle's growth.

PREDICTABLY TIGHTLIPPED

Promoted in 1949 by Jayantilal Chauhan, Parle's soft drinks operations today encompass 42 bottling plants in India and 10 abroad including one in

Chauhan: tougher time for Pepsi if and when



Bottled soft drink market shares

(%)

	1983	1984	1985
Parle	53.9	58.0	60.8
Pure Drinks	25.2	23.7	21.9
McDowell	3.8	6.3	8.1
Others	17.1	12.0	9.2
Total	100	100	100

NB Excludes sodas & concentrates
Source: BusinessWorld estimates

New York. There are two companies which oversee the manufacture and marketing of Parle's 10 major brands of soft drinks and sodas: Parle Exports Pvt. Ltd., which formulates the concentrate of the various brands and also looks after franchising and advertising, and Parle Beverages Pvt. Ltd., which supervises the manufacture and marketing of the company's drinks in Bombay. While Parle Exports is currently managed by Jayantilal's eldest son Ramesh Chauhan, Parle Beverages is managed by Ramesh's younger brother Prakash. Both the brothers are predictably tight-lipped about the size of operations of the two closely held companies but knowledgeable sources estimate the aggregate sales turnover of the companies at over Rs.70 crores in 1985. Indeed, the growth of the Parle group has been remarkable for its swiftness.

When Coca-Cola left the country in 1977 Parle had only two major brands, Gluco-Cola and Gold Spot, both of which were only moderately successful. The group's stupendous growth began with the launch of the cola drink Thums Up in January 1978. "Coca-Cola had just gone out and there was a vacuum in the market. The timing couldn't have been better," recalls Prakash Chauhan. Thums Up has gone on to become one of the biggest success stories in Indian consumer marketing and today one out of every four bottled flavoured soft drinks sold in the national marketplace is a Thums Up.

With a hefty 50% plus market share in the cola segment — the largest segment in the soft drinks market with almost one out of every two bottled, flavoured soft drinks sold in the country being a cola (see table p.79)—Thums Up constituted the spearhead of the Parle group's soft drinks operations. But Thums Up is by no means the corporate duo's only successful product.

Its two other well known brands — Limca and Gold Spot — are also market leaders in their own segments. While



Pandole: no packaging change

Limca enjoys an incredible 82% share of the lemon flavoured soft drinks segment, Gold Spot commands an almost equally impressive 61% share of the orange flavoured soft drinks segment. Besides, the company's other brands such as Rim Zim and Maaza — which was recently launched in Delhi to much public acclaim — have also kept the company's cash register ringing merrily.

INSTANT SUCCESS

But far from resting on their laurels, the two Parle companies which owe much of their success to both brand innovation and the design and creation of a nationwide franchising network — the largest in the country — have always taken the lead in promoting new brands. Thus last year, Parle Beverages launched a mango-based drink, Frooti, in Pune and later in Bombay in a revolutionary tetrapak which has become almost an instant success. "We had anticipated a sale of some 700 cases a day but even at our current supply rate of 4,500 cases a day, we can't satisfy the demand in Bombay itself," says Chauhan.

Enthused by the consumer response to Frooti, Parle Beverages launched 'Appy, an apple-based soft drink (also in a tetrapak) in Bombay in mid-May. And if the initial response is any indication, the drink has a bright future — notwithstanding the Apella (Cadbury's) disaster a couple of years ago.

While both Frooti and 'Appy are undoubtedly products of good quality and taste, their unique sales proposition which has captured the consumer's imagination is the smart and practical packaging of these drinks. "This packaging offers the soft drink consumer mobility. He can have the drink wherever he wants and not necessarily at the point of purchase as hitherto. Moreover, it is lighter and more hygienic as the pack is used only once, unlike bottles which are reused several times," says Chauhan.

According to him, consumer innovation is also responsible for the smashing success of Frooti and 'Appy contained within the revolutionary tetrapak packaging. "Some mothers of school-going children now put a packet of Frooti in the freezer of their refrigerators overnight. In the morning, the drink in the pack is frozen, but at lunch time, when the kids open their lunch boxes, there is an ice cold packet of Frooti in a ready-to-drink form," says Chauhan.

Not surprisingly, not a few marketing experts believe that a tetrapak revolution will soon sweep the soft drinks industry in the country though the packaging is unsuitable for aerated drinks. Parle Beverages has just installed its fourth tetrapak machine while at least another 22 have already been imported into the country by other soft drink manufacturers.

Meanwhile, the company which is likely to be most hit by the success of Frooti and 'Appy is the Bombay-based Duke & Sons Pvt. Ltd., the largest manufacturer of fruit-based bottled soft drinks in the country. Promoted nearly a hundred years ago in 1889, Duke's was and has remained a regional brand, deriving the bulk of its sales from Bombay and its neighbouring areas.

"We pioneered the manufacture of fruit-based drinks in the country when we launched Mangola in the mid-fifties. At that time Coca-Cola had just come into the country and sales of all other manufacturers were dropping. We had to introduce something new and hence we came up with a mango drink which was priced 50% higher than coke. It was

just a shot-in-the-dark exercise, but it more than paid off as till today, it's been a problem of producing enough to meet the demand," says D.F. Pandole (51), director of Duke's.

PACKAGING NOVELTY

Pandole tends to be cagey about talking numbers but according to him the company's two major brands, Mangola and Tango enjoy a 90% share of the fruit-based soft drinks market in Bombay, the second largest market for soft drinks in India after Delhi. Moreover, he is not unduly worried about the threat posed by Frooti to his leading brand, Mangola. "I think Frooti is selling more on its packaging than on the basis of the drink itself. So while initially this may affect Mangola's sales adversely, in the long term, once the novelty of the packaging wears off, there will be no problems at all," says Pandole who made it clear that Mangola will continue to remain a bottled drink despite what the competition may or may not do.

Nevertheless Duke's, which currently has six franchisees and harbours intentions of going national, will soon find the going tougher than before as a growing number of soft drink manufacturers are diversifying into the manufacture of fruit-based soft drinks. "All over the world there is a general shift away from colas. In India too this trend is already apparent and a major growth area of the future here will be fruit-based soft drinks," says J.K. Bose (41), an alumnus of IIM Calcutta, and all India marketing manager (soft drinks) of McDowell & Co. Ltd. (sales: Rs.102.49 crores in the year ended 30th June 1985) who was interviewed by *BusinessWorld's* New Delhi correspondent Anand P. Raman.

Indeed, while the sales of cola drinks in India have been growing at slightly over 3% per annum, the sales of fruit-based soft drinks have been increasing at over 30% annually. This has induced several manufacturers to jump onto the fruit juice-based soft drinks bandwagon and, if the rumours doing the rounds are to be believed, McDowell too plans to enter this segment shortly.

McDowell, of course, is desperately in search of a successful product. Ever since it ventured into the soft drinks business in 1982 with the launch of Thril, the company has made little headway. Currently, it has a share of 8.1% in the organised sector of the soft drinks market. And except for Rush, which has a 15% share in the orange segment of the market, both its other brands, *viz.* Thril and Sprint, have less than 7% share each in the cola and lemon segments respectively.

'McDowell, of course, is desperately in search of a successful product. Ever since it ventured into the soft drinks business in 1982 with the launch of Thril, the company has made little headway'

ADVERTISING MESSAGE

While the company's limited success in the soft drinks business is not surprising given the dominance of the Parle group and the New Delhi-based Pure Drinks (India) Pvt. Ltd. (whose influential managing director Charanjit Singh reneged on an appointment given to our Delhi correspondent for reasons best known to himself), monitors of the soft drinks industry do not put the company itself above blame. "In the soft drinks business the advertising message can make or break a product and in the case of McDowell's Thril it has done just the latter," says an industry analyst who preferred to remain anonymous.

According to him, a cola drink is generally a fun drink which has its largest clientele among teenagers. "But by promoting Thril first as a space age cola and then as a favourite drink of film personalities, McDowell divorced the product from the widely perceived association of a cola with youth and lifestyle. Consequently, the product has failed to take off," says this knowledgeable analyst.

Whatever the merit in this argument, there is no gainsaying that soft drinks sell largely on the basis of their brand image. And this in turn makes the role of the advertising agency — which creates brand images and associations in the consumer's mind through the advertising message — critical in determining the success or otherwise of a particular brand.

One agency which has played a crucial role in hoisting Parle and its No.1 brand to unexpected heights is the Bombay-based Trikaya Advertising Pvt. Ltd. (gross billings: Rs. 5 crores in the year ended 30th June 1985). Trikaya launched the Thums Up advertising campaign in 1978 with an "unashamedly" lifestyle oriented message. Since then, the agency has successfully used the same theme in successive Thums Up advertising campaigns to boost the brand's sales and make it the largest selling soft drink in the country.

"The youth market which comprises people between 16-25 years of age has been our primary target and today it is the largest market segment for the soft drinks industry. This perhaps explains why other brands such as Gold Spot and Limca, which earlier were positioned as a school children's drink and an older person's drink respectively, have been

Bottled soft drink market shares *(1985)*

	Cola		Lemon		Orange		Others		Total	
	Million cases	Share (%)	Million cases	Share (%)	Million cases	Share (%)	Million cases	Share (%)	Million cases	Share (%)
Parle	15.8	51.8	12.4	81.5	8.3	61.4	1.8	47.3	38.3	60.8
Pure Drinks	10.3	33.7	0.9	5.9	2.1	15.5	0.5	13.2	13.8	21.9
McDowell	2.1	7.0	1.0	6.7	2.0	15.0	-	-	5.1	8.1
Others	2.3	7.5	0.9	5.9	1.1	8.1	1.5	39.5	5.8	9.2
Total	30.5	100	15.2	100	13.5	100	3.8	100	63.0	100

Notes: (1) One case = 24 bottles (2) Excludes liquid and powder concentrates (3) Others' excludes sodas

Source: A BusinessWorld compilation



The strong grip of leadership

Goodyear demonstrate leadership worldwide. In technology and research, innovation and quality, in popularity amongst users and performance on world race-tracks.

The largest earthmover tyre, the tyre that landed on the moon, the largest-selling car tyre in the world — **each** one is a Goodyear!

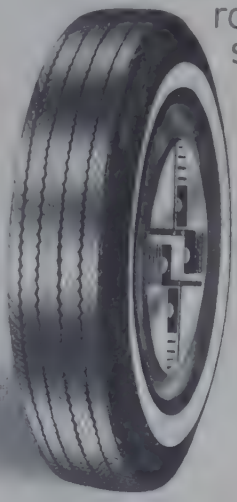
Right here in India Goodyear lead with Power Cushion. The tyre you have made an **unquestioned** leader. Well, that's Goodyear. The finest, the world over. As Power Cushion is in India.

And with all reason.

Deeper and Wider Tread:
More rubber on the tread than any other car tyre. (Consumers testify to over 50,000 Kms. of non-skid safety).

Computer chips in for more mileage, more safety:
Power Cushion's computer-perfected tread design ensures greater grip, more comfort, more safety as tread adjusts automatically to road profile.

Unique Arrow-Head Design:
For a quicker start-stop, lower rolling resistance, more fuel saving.



'3-T' Nylon Casing:
Resilient and abrasion-resistant casing that ensures more retreads.

That's Goodyear Power Cushion



GOODYEAR

LEADING THE WORLD IN TYRE TECHNOLOGY

Imminent concentrates boom

In comparison to the giant sized market for bottled ready-to-sip soft drinks in the country (estimated at Rs.285 crores in 1985) the organised market for squashes, cordials, crushes, fruit juices and soft drink concentrate powders valued in the aggregate at Rs.15 crores in 1985 appears minuscule. Yet the demand for these products and particularly for soft drink concentrate powders is rising at a blistering pace.

According to retail shop audit data compiled by the Baroda-based Operations Research Group (ORG), the rupee value of the aggregate demand for squashes, cordials, crushes, fruit juices and concentrate powders in the four metros and all class I cities — which account for about 80% of the all India off-take of these products — was Rs.12.84 crores in 1985. This represented a rupee value increase of 31.2% over 1984 with the prime markets being in the west and the south zones which together siphoned off about 60% of total production.

Soft drink concentrate sales (1985)

Product category	All India* (Rs.crores)	Largest manufacturer(LM)	LM's sales as % of all India sales
Squashes	4.98	Kissan	54.2
Cordials	0.32	Kissan	70.5
Crushes	0.34	Kissan	84.5
Juices	0.40	Mohan Meakin	79.0
Powders	6.79	Pioma Industries	80.0

Metros & class I cities
Source: ORG

However, the fastest fast growth segment in the soft drink concentrates market is that of soft drink concentrate powders and the star performer: the Ahmedabad-based Pioma Industries Ltd. which manufactures the highly popular Rasna brand of concentrate powders. Indeed Rasna, which is heavily advertised on the national television network, has been almost solely responsible for the tremendous expansion in the demand for concentrate powders which grew by 101.2% in 1985 over the previous year.

Commanding position. Ever since it was relaunched in 1981, Rasna has captured the imagination of housewives with children in the below 10 years age group and has become one of the most successful consumer products of the eighties (see *BW*, Cover Feature: 'Consumer products of the eighties,' February 17-March 2, 1986) Just how commanding is Rasna's position in the concentrate powders segment is indicated by the fact that it had acquired an estimated 80% share of the Rs.6.79 crore market for concentrate powders by the end of 1985. Among the also-rans are Ju-C marketed by the Bombay-based Voltas Ltd. and Rex Trinka from the Bombay-based Corn Products Co. (India) Ltd., which had market shares of only 8% and 9% respectively.

The runaway growth of Pioma Industries' Rasna has, however, had an adverse effect on the growth in the demand for liquid concentrates (squashes, cordials, crushes and fruit juices) which were introduced into the market much earlier than concentrate powders. Thus, according to ORG estimates, during 1985 the market for squashes — which accounted for 82% of the total market for liquid soft drink concentrates — declined by 6.3%. Similarly the demand for crushes also fell by 31.7% over the previous year.

The company which has been hardest hit by the Rasna blitzkreig is the Bangalore-based Kissan Products Ltd. which has a share of over 55% in the liquid soft drink concentrates market. Not surprisingly, therefore, recently (in April 1986) Kissan launched a new liquid fruit-based concentrate — Hasras — which it claims is "India's first real fruit drink concentrate." It however remains to be seen whether Hasras — which is available in five flavours—can put the brakes on Rasna's runaway growth.

repositioned as youth drinks," says Ravi Gupta (48), managing director of Trikaya, who is also credited with having conjured up the catchy youth-oriented brand name Thums Up.

OBVIOUS CHOICE

But apart from an overall positioning shift in favour of the youth segment, the other innovation in soft drinks advertising is the alacrity with which manufacturers and their agencies have switched their media mix overwhelmingly in favour of television. "Since all brands seem to be opting for lifestyle advertising, television is an obvious choice as it provides motion, sound and in a lot of instances, colour. Earlier, we could get all three only in the cinema medium. But the problem with this medium was the frequency of exposure. An average person sees a movie maybe once in three weeks while in the case of television it is possible to reach him anywhere between 20-40 times a month," explains Gupta.

And although actual media expenditure figures of the various soft drink manufacturers are closely guarded secrets, the Baroda-based Operations Research Group (ORG) has made some estimates of the collective spending of soft drink advertisers. According to ORG, manufacturers of aerated soft drinks spent Rs.60 lakhs during the 12 months of fiscal 1985-86 on press advertising. On the other hand, during the first four months of the current calendar year (January-April 1986) they spent Rs.95 lakhs on television (national network and local channels in two metros) advertising, making soft drinks one of the most heavily advertised products on the idiot box. In comparison, during the same period and on the same medium i.e. television, manufacturers of chocolates and toilet soaps — two other frequently advertised products — spent Rs.43.67 lakhs and Rs.1.27 crores respectively.

This heavy expenditure on soft drinks advertising in India is, however, in step with the trend worldwide. In the US, for instance, the megabuck soft drink manufacturer Coca-Cola Co. — which recently celebrated its centenary by flying down 12,500 of its staff from around the globe to its home base Atlanta, Georgia, for a four day $20 million bash — spent an incredible $2.03 billion (Rs.2,346 crores) on advertising in 1985. This constituted 24% of the company's total sales revenue of $8.13 billion (Rs.9,756 crores) during that year.

One of the frequently cited reasons for the hard sell resorted to by soft drink manufacturers is that the soft

drink consumer is not brand loyal and hence has to be wooed on a more or less continuous basis. This hypothesis was further strengthened by a survey (see *Fortune*, 5th August 1985, p.42) conducted by the New York-based advertising agency J. Walter Thompson a few years ago. The survey revealed that a soft drink consumer is only moderately brand loyal unlike, say, a cigarette consumer who generally exhibits fierce brand fidelity.

Yet, there is always the exception that perhaps proves the rule. The most notable case is of course that of Coca-Cola itself. In mid-1985, the Coca-Cola Co., after conducting elaborate test trials, changed the then 99 year old formula of the soft drink. But much to the surprise of Coca-Cola's top brass — and no doubt of all those who had long debunked the theory that soft drink consumers are also brand loyal — there was a tremendous hue and cry in favour of the old Coke. The result: Coca-Cola was forced to bring back old Coke under a new label — Coca-Cola Classic.

EFFECTIVE DISTRIBUTION

But in India where the per capita consumption of soft drinks is very low, questions of brand loyalty seldom bother either the manufacturer or the consumer. For, as some marketing experts believe, the soft drinks market in India operates under conditions enunciated in Say's law of markets: *viz.* that supply creates its own demand. According to these experts, the Parle success in the national soft drinks market is attributable less to high pressure advertising than to effective distribution. Currently, the Parle brands are bottled by 42 franchisees spread across the country who, with their knowledge of local markets have saturated urban markets in which retailers stock them. The advertising blitz of the Parle companies merely serves to provide the pull effect.

But the impact of this pull effect advertising is not inconsiderable. In recent times, several consumer protection groups have attempted to put the brakes on the ballooning advertising budgets of indigenous soft drink manufacturers. In the summer of 1984, for instance, several consumer organisations led by the Voluntary Organisation for the Interest of Consumer Education (VOICE) and the Consumer Guidance Society of India filed complaints against 10 soft drink manufacturers before the MRTP Commission. Predictably — and erroneously — they argued that soft drink manufacturers were spending excessively on advertising, resulting in the imposition of unjustified costs on the consumer.

While little is known about the final outcome of the MRTP Commission hearings on the matter, marketing and advertising experts are obviously tired of this hackneyed argument. Comments Ravi Gupta (quoted earlier), "It is absurd to argue that increased spending on advertising increases the cost of the brand advertised. On the contrary, advertising helps expand sales volume and thereby actually brings about a reduction in the price of the brand. For instance in Delhi, Thums Up, which retails for about Rs.2 is cheaper there than anywhere else in the country. The point is self explanatory."

VOICE spokesmen have also alleged that soft drinks are habit forming and that many young children ruin their health as several of these drinks also tend to reduce their appetite. Soft drink manufacturers on the other hand counter these allegations by arguing that per capita consumption in even the largest consumption group in India is too low by world standards to create any such problems and that moreover as the water used in soft drinks is 100% pure it is often safer to consume a bottled soft drink than the water supplied by the country's moth-eaten municipal corporations.

HEALTHY AVERAGE

But while manufacturers and consumer protection agencies battle it out, the object of their concern — the consumer — continues to merrily sip away, quite unconcerned. Thus the overall market for flavoured ready-to-sip, i.e. excluding liquid and powder concentrates (see box p.79) soft drinks has been growing — as is inevitable in a tropical country — at a healthy average of 12% per annum. In absolute terms, the sales of these drinks have increased from 49.8 million cases (1,195.2 million bottles) in 1983 to 55.1 million cases in 1984 and further to 63.6 million cases (1,526.4 million bottles) in 1985. And these figures exclude the sales of the revolutionary tetrapak soft drinks which are poised to sweep the market.

"Given the rush to introduce more fruit juice-based soft drinks and the new innovative types of packaging, I feel the soft drinks industry is poised for a much faster rate of growth. I expect sales volume to rise by 20% per annum from this year," says Prakash Chauhan.

Besides, as the number of citizens entering the middle class increases, the national market for soft drinks which is estimated at 100 million people is certain to expand. Consequently, even if PepsiCo or any other soft drinks multinational muscles its way past the by no means powerless indigenous soft drink manufacturers' lobby which can be counted upon to fight its entry tooth and nail, there may well be room for one more. Even if the new entrant into the marketplace is a big 'un.



Gupta: volume-price correlation

'But in India where the per capita consumption of soft drinks is very low, questions of brand loyalty seldom bother either the manufacturer or the consumer. For, as some marketing experts believe, the soft drinks market in India operates under conditions enunciated in Say's law of markets: viz., that supply creates its own demand'

LETTER FROM PARIS — DAVID HOUSEGO

Sharp right turn

Connoisseurs of the making of economic policy have been quietly lifting their glasses to Edouard Balladur, the French finance minister. Over the last few weeks he appears to have got away with the difficult juggling act of conveying two very different and in some ways contradictory messages.

The first of these is that this conservative administration remains as wedded as the Socialists to holding down inflation and has reinforced this commitment through a standstill on public sector wages, cuts in public spending and a restrictive monetary policy. The instrument for putting this across was the March devaluation of the franc and the back-up measures that went with it.

More dynamism. The second message is that it also wants to inject more dynamism into the French economy through phasing out the restraints and rigidities that have been hampering French business. This was the meaning of the major supply-side package of measures that Jacques Chirac, the prime minister, and Balladur announced in mid May, and which included a further lowering of French interest rates, more freedom for French companies to cut their workforces and greater leeway in managing their cash and foreign exchange positions through the further opening up of the financial and foreign exchange markets.

The combined impact of this two-tiered manouevre should be to provide as favourable a climate for a pick-up in investment—and hence eventually in new jobs—as French industry has known in recent years.

The battle, however, is by no means won. The stimulatory measures carry with them inflationary risks at a time when the gap between France's inflation rate and that of West Germany is growing again.

The danger now with the relaxation of foreign exchange controls is that any slippage in the inflation rate will show up in transfers of funds abroad. At the same time, the government cannot afford too long a delay in showing results in terms of investment and jobs. Unions have quickly taken on board that the bulk of the sacrifices in the strategy—in terms of wages, more labour market flexibility and still continuingly high levels of unemployment—are being borne by them.

Thanks to falling oil prices and the falling dollar, the right had seemed to be the beneficiary of the most promising economic outlook France has known for some years—with real GNP likely to rise by 2.5% this year, inflation falling to under 3% and the current account moving into a substantial FFr 50 billion (Rs. 7,950 crores) surplus.

But instead of reaping the political benefits of this, Balladur described the French economy as being in a "bad state"—drawing attention to France's loss of market share in the worldwide trade in manufactured goods and to the persistence of inflationary pressures. In the wake of last week's measures some of the reasons for this confusion over the timing and direction of policy have become much clearer.

As a perceptive article in the current issue of the *Paribas* economic bulletin points out, the March devaluation was not used for the normal purposes of improving the competitive edge of French exports. The effective 3.5% depreciation of the franc against the deutsche mark was too small to have any significant impact.

The devaluation was primarily used to announce a standstill on public employee wage increases (since toughened to give public employees little or nothing this year in real terms) to cut public spending by 10% (followed by a further FFr 40 billion in 1987) and to tighten monetary policy.

De-regulatory package. Within the finance ministry there is now a debate over whether the government dallied too long before announcing the subsequent de-regulatory package. Balladur believes that they could have acted a couple of weeks earlier—which would have saved the government some of the abuse that it got from its followers last week over "watered-down" liberalism.

But some of his advisers believe that they first had to make sure that the restrictive message had taken root—as was confirmed by the FFr 60 billion to 70 billion of foreign exchange inflow. Last week's package should further strengthen corporate profitability. It comes on top of a rebuilding of profits initiated under the socialists three years ago.

SRI LANKA

Costly brinkmanship

Sri Lanka appears to be headed for a protracted civil war that could permanently cripple its economy. In April, in an attempt to impose a military solution on the Tamil militants who are fighting for a Tamil homeland, president Jayewardene unleashed a massive, if poorly coordinated, and hamfisted military operation against Tamil terrorist bases and civilian enclaves as well. Over 200 people are reported to have been killed in the offensive.

Yet the operation — which was designed to establish military control over the Tamil-dominated northern town of Jaffna — was a pathetic failure. The Tamil rebels, in a spate of armed counter offensives and terrorist acts spanning the latter part of May and early June, not only managed to repel Jayewardene's Israeli-trained security forces, but scored a decisive psychological and political victory as well.

Tamil terrorist leaders have consistently held that president Jayewardene's government has no intention of arriving at a peaceful settlement and that its attempts to hold talks with the rebels are designed mainly to buy time. The clumsy army attack against the rebels' strongholds in the north has provided concrete evidence of this. And the rebels have used the recent attack to press their case in the US and elsewhere with telling effect. On 5th May, the US government announced that it would cut back on economic aid to Sri Lanka. In the current context, the aid cut will adversely affect the island's hectic arms buying programmes.

Political position. But the recent army attack against the Tamils — which from all reports appeared to make no distinction between the Tamil civilian population and the rebel bases — has also confirmed the political position of the rebel Liberation Tigers for Tamil Eelam (LTTE), that the only way of achieving regional autonomy is through armed struggle. The LTTE or 'Tigers' as they are popularly known has been at variance with the Eelam National Liberation Front (ENLF) and the People's Liberation Organisation of Tamil Eelam (PLOT), the two other major rebel groups on the question of using arms to achieve their objective.

All three groups share a common Marxist ideology and have set for

themselves the objectives of fighting for an autonomous Tamil homeland in the north and east and also to overthrow the system of parliamentary democracy and change the system of mixed economy that currently prevails in the island. The three groups however differ on the use of terror tactics — which the ENLF and the more moderate PLOT hold to be counter productive — and on the broader strategy of whether to demolish the capitalist system first and then carve out a Tamil Eelam or vice versa.

The massive and indiscriminate attack on the Tamils in April and May has predictably strengthened the LTTE and given it an edge in the intra-group battle for primacy. As yet this recent supremacy is more apparent than real, mainly because the ENLF has historically had a larger support base and is altogether better armed and organised. And the ENLF is not about to surrender its position of primacy to the Tigers without a good fight.

Indeed, shortly before the Sri Lankan troops launched its abortive attacks on Jaffna, the LTTE and the TELO, another rebel group, were engaged in a fierce armed battle for control over Jaffna in which over 200 Tamil guerillas were reportedly killed.

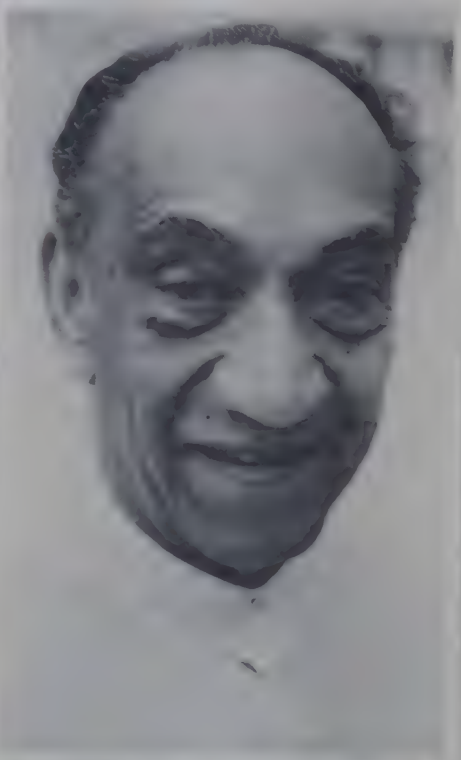
Tactical victory. With the LTTE having gained a political and tactical victory in the wake of the army operation, there is little doubt that rebel activity in general and terror attacks in particular will be stepped up now. The ENLF will also be forced to respond to army counter-terror tactics, thus placing it increasingly on the same political and strategic platform as the LTTE. The logic of events can thus only lead to a civil war, the duration of which will be determined by the staying power of the rebels and the roles of India and the US in the conflict.

Sri Lanka has a 37,000 strong standing army which has never had combat experience and is also poorly motivated and trained. Jayewardene's government has sought to compensate this weakness with the induction of more sophisticated military hardware — on which his government is spending over Rs. 420 crores per annum currently — and also by recruiting the services of Israeli counter terrorist specialists.

By contrast, Tamil armed terrorists probably number no more than 3,000 to 4,000 though this in itself is not particularly significant in view of the fact that they are a highly motivated band of fighters and also because they rarely, if ever, take the military on in direct field combat.

According to Tom Marks, a former US military intelligence analyst, the terrorists' main source of funds is drugs — which they peddle globally in exchange for arms or money — and the contribution of expatriate Tamils in the US and other western countries. The drug trade is a seemingly inexhaustible source of money and could finance terrorist arms purchases on a sizeable scale for years.

The rebel groups also demonstrate an ability to implement an overall combat strategy of pushing the government into launching politically expensive reprisals against the Tamil civilians. The rebels have also exhibited a wholly unexpected ability to fight local battles with the army with skill and dexterity, as was indicated in the recent battle for the control of Jaffna and the rebel seige of the military camp near Trincomalee.



Jayewardene: burgeoning defence bill

Given this strength, the rebels, in the opinion of more than a few analysts, are capable of waging a protracted war with the army which could end in the complete ruination of the economy or in foreign military intervention. Apart from the handicap of having a poorly trained and demoralised army which is almost wholly innocent to the tactical subtleties and political dimensions of guerilla warfare, the Sri Lanka government is also unlikely to be able to sustain a drawn out military conflict on economic considerations as well.

Domestic strife. The country's defence bill of cost has already been upped to 15 times the level that prevailed in 1977 when Jayewardene first took office. Further escalation of the army budget is constrained by the fact that the country's two largest sources of foreign exchange — tea and tourism — have been shrinking rapidly as a consequence of the domestic strife.

According to John Elliot, South Asia correspondent of the London-based *Financial Times*, Sri Lanka's tea export has fallen by 33% in three years and a further sharp fall is likely in view of the declining prices of tea on the global market. Receipts from tourism have also fallen by a similar amount.

Continuing conflict within the island will not only reduce the foreign exchange earnings further, and thereby precipitate a balance of payment crisis, but will also encourage foreign powers to intervene. The players in the game are the US and India, both of which have hitherto pursued a cautious and neutral policy towards Sri Lanka. The Indian government, despite political pressure from its 50 million Tamil citizens to intervene militarily has made more than a few attempts to arrive at a peaceful solution.

However, India's influence with the Tamil militants and the Sri Lankan government is limited. Tom Marks, writing in the *Asian Wall Street Journal* (8th May 1986), comments, "There is precious little that New Delhi can do to influence either side. Short of military intervention it has little leverage it can use against Colombo. And it has declining clout with the insurgents. Although guerilla headquarters remain in the sympathetic southern Indian state of Tamil Nadu with its population of 50 million Tamils, most rebel bases have moved to Sri Lanka.

"But even without Indian bases, the insurgents would have prospered because the conditions within Sri Lanka were conducive to such growth. With their bases removed to Sri Lanka and their funding relatively immune from external disruption, the insurgents are well positioned to weather Indian pressure. Thus military operations in Sri Lanka could continue at their present level almost indefinitely."

Tacit support. On the other hand, the US has stayed clear of intervening militarily on the grounds that such intervention could provoke India to intervene as well. The possibility of the Soviet Union being drawn into the picture as a consequence is also an important consideration. But geopolitical considerations apart India's tacit support for the Tamil guerillas has done little to ensure its credibility in the global comity of nations. The Sri Lankan rebels are fighting for near total auton-

omy in the region spanning the north and east of the island, comprising 24% of its land area. The Tamils constitute only 12.6% of the island's population.

But the overall objective of the terrorist groups is by no means limited to achieving regional autonomy for what they call the Tamil homeland or Eelam, but in fact extends to an overthrow of the system of parliamentary democracy now prevailing.

The minimum demands of the Tamils are more than the maximum that the Sri Lankan government is willing to concede and it is arguable that no sovereign government can concede such demands without seriously violating its sovereignty. Against this background, India's support for the Tamil struggle for regional autonomy is perceived as being hypocritical and violative of the principle of non-interference in the internal affairs of another country. Critics of the Indian position on the Sri Lankan Tamil issue point to the fact that India, which faces similar seccesionist demands from the Sikhs, Kashmiris and the Mizo peoples, has consistently and vehemently opposed them.

The longer term outcome of the current struggle in Sri Lanka is hard to predict. Should the civil strife escalate into a full-fledged and protracted civil war, the economy will suffer grievous damage. The Jayewardene government could be forced from office because of this and his place is likely to be taken by former premier Sirimavo Bandaranaike, who has been assiduously courting conservative Sri Lankan vote banks of late. Alternatively, the US may decide to intervene through a proxy power such as Israel or Pakistan. This latter option can only lead to widespread tension in the subcontinent. In the event the prospects of a sub-continental war involving India, Pakistan and Sri Lanka is a logical possibility. Either way the future of Sri Lanka presents a grim and bleak picture.

Michael Neri

PAKISTAN

Private sector resurgence

For nearly two decades, Pakistan's politicians and social scientists have assailed the 22 families commonly believed to control most of the country's industrial assets. Although the names on the list may change from time to time, and the figures used to "prove" those families' dominance have sometimes been found to be wrong, the "22 families" concept continues to occupy a prominent place in the political rhetoric of the country.

Since 1968, when the phrase was coined by then senior civil servant (now minister for planning) Mahbubul Haq, Pakistan's industrial ownership has become more dispersed, both geographically and in terms of ownership. Nowadays there are probably several hundred families controlling the same percentage of assets held by just 22 in the late sixties.

Even so, a relatively small number of families still occupy a prominent position, though most play down their family or group identity. Some of the older families lost their clout after large scale nationalisation by previous governments, and failed to recover it during the military rule under President Zia-ul-Haq. Others survived, to rebuild later—while some once-small groups found a place among major business families.

The private sector cannot be said to dominate domestic industry—except perhaps in the case of textiles, where private ownership prevails. Despite recent government moves to encourage private participation in cement, sugar and some steel-related activities, the public sector still dominates such key sectors as fertilisers, cement, engineering, steel, cars and edible oils. However, the government has virtually stopped new industrial investment, limiting itself to modernisation or to finishing projects already in progress.

Even at the height of their economic influence, Pakistan's leading business families were not comparable in power to, say, the Tatas or Birlas in India. Nevertheless, the 22 families in 1968 controlled 66% of banking assets—so the nationalisation of banking and life assurance (and other major industries) in 1974 affected most major families.

Low profile. One of the major effects of nationalisation and adverse publicity given to the 22 families during the seventies has been to convince them of the need for a low profile. At one time it was a matter of prestige to be among the top 22, and those who were not, often tacitly encouraged suggestions that they were. Now the reverse is true: wealthy families have sheltered their fortunes behind a multitude of partnerships and private companies, with unpublished accounts. They have also nominated non-family professionals as directors on the boards of listed companies which they control.

"Major business families have been characterised as blood-suckers and leeches for so long now that we would rather not reveal the extent of our business activities," said one major industrialist.

The present government is committed to encouraging and expanding the private sector. But the wealthy fear that a future government might well revert to nationalisation. This fear has kept several major families from resuming industrial investment, and encouraged them to pursue business overseas, notably in West Asia, where they put their capital in the post-nationalisation period.

Others got involved in trade or real estate after selling off industrial assets.



"Don't worry, they too have a dominant public sector"

Some of this capital could return if the government goes ahead with its plans to privatise certain public sector companies—though their former owners would prefer control, which the government is not offering at present.

Pakistan's private sector is generally considered more efficient than the public sector, though statistics are by no means always reliable. Companies are known to juggle their accounts in order to avoid taxes and to secure subsidies and other concessions. The absence of meaningful financial disclosure makes a ranking of companies difficult.

An analysis of companies listed on the Karachi Stock Exchange (KSE) reveals that identifiable family-controlled companies have declined in proportion to total companies, as well as in terms of

total net assets of all listings. Only 15 years ago, 10 families or groups controlled a third (and the top 30, more than half) of total assets listed on the KSE. Control by the top 10 is now estimated at only 12%, while 30 families account for no more than 25% of listed assets.

Top positions. Meanwhile, family-run businesses, which in the past depended upon the traditional skills of family leaders, now employ professional managers. Younger family members have often been trained at western business schools and retain top positions in family companies. Some families, such as the Habibs, rely very heavily on professionals, and have brought them into senior management. The strategy of most families is to retain control through positions on the board, while turning over daily decisions to professional managers.

Most influential business families retain significant government and political connections—though unlike in the sixties, most now stay clear of direct political involvement. Some of them rose to prominence through these connections, while others have used their ties to protect and expand business interests.

The share of Pakistan's private sector in industrial investments has increased substantially—though it still falls short of targets set under the sixth five year plan (1983-88). This envisaged private industrial investment of PRs. 62 billion (Rs. 4,560 crores), including PRs. 28 billion in investments already approved but not made under the previous plan. After an initially encouraging trend, investment has now begun to stagnate, mainly due to difficulties in getting government approvals.

Most of the projects implemented during the first three years of the current plan were approved during the previous plan, or involve less than PRs. 300 million (Rs. 23.4 crores)—below which official approval is not needed. Although the government modified its procedures last year, raising the limit for non-sanctioned investments, new capital in a number of "specified industries" still requires approval no matter what its size. Investors say applications take even longer to process where specified industries are concerned—though large projects (fewer in number) are more likely to be approved.

Since 1983, sanctions of PRs. 4.19 million have been granted. Although that is a record, it is far below the PRs. 21 billion private industrial investment plan target. Officials argue that most investment is in small-scale industries, for which there are no firm data. They also point out that the implementation of sanctioned industries has improved from an average of 40% to 60% in recent years. Large investments, they say, are coming slowly and deregulation of certain sectors, notably cement and sugar, is expected to spur major projects.

Inadequate infrastructure. Apart from sanctioning procedures, the weakness of Pakistan's capital market also creates difficulty for potential private investors. Sectoral allocation of credit by the government restricts funding for some industrial projects, while the stockmarket is merely a minor source of industrial investment funds. An inadequate infrastructure and a low domestic savings rate do little to encourage expansion investment.

Even so, the performance of the private sector is impressive, relative to the stagnation of the seventies. In 1977-78, the private sector accounted for only 26% of industrial investment but its share during 1984-85 grew to almost 70%. Investment in private manufacturing is officially estimated at 29.9% of total private fixed investment.

Independent experts, who question government figures for small-scale investment, calculate it at only 20%-25% of the private sector total. In either case, it is generally agreed that the private sector has expanded considerably and average annual growth in private industry has been at the rate of 30% since 1983. The government's Deregulation Commission is exploring ways to broaden the range of corporate-funding sources.

Husain Haqqani
(By special arrangement with the Far Eastern Economic Review, Hong Kong).

HONG KONG

A stateless people

To the casual visitor, Hong Kong — the last outpost of the British in the east, with its gigantic supermarkets which sell every merchandise available under the sun, and one of Asia's leading banking and trading centres — seems almost a perfect picture of stability and prosperity. Hong Kong's stockmarket indicators have touched new highs, rents have continued to soar and property prices, if not exactly skyrocketing, are certainly on the road to recovery. Yet, underneath this placid appearance is a jittery city — a city that is casting a wary eye to its uncertain political future.

"One country two systems" is what the Chinese have promised anxious Hong Kong citizens when Hong Kong accedes to mainland China in 1997 after being under British rule for 99 years. But what China has promised under the two year old Sino-British agreement could in reality turn out to be very different when Hong Kong's sovereignty actually passes into Chinese hands.

And particularly jittery on this account in this twin island colony is the largest non-Chinese minority group: the 10,000 strong Indian community which is still not assured of its status and citizenship. Thus, while Hong Kong's 5.3 million people, accustomed to a sprawling capitalist economy which has been a haven for dynamic and enterprising businessmen, are legitimately apprehensive of the red flag once China regains sovereignty over the island in 1997, the Indian community, which will be shorn of a home base, is doubly apprehensive.

'This group, whose net worth is anybody's guess, could transfer assets that would be the envy of any country. Yet ironically they languish in the political wilderness'

For this second largest resident group (Chinese constitute 95% of the population) in Hong Kong, the consequences of the Chinese takeover could in many ways be disastrous.

Fierce competition. The Indians of Hong Kong come from a wide social milieu. There are the ubiquitious Sindhi and Sikh small traders and retailers whose textiles, electronic goods shops and, in recent years, a number of restaurants jostle cheek by jowl in fierce competition with neighbouring Chinese in the crowded alleys of Kowloon's shopping district. At the other end of the spectrum are the handful of international business tycoons with extensive trading networks and property interests in Hong Kong and other major metropolitans of the world. This group, whose net worth is anybody's guess, could transfer assets that would be the envy of any country. Yet ironically they languish in the political wilderness.

Meanwhile, for those who have not followed the details of the intensive negotiations of the terms under which Britain will relinquish colonial control over Hong Kong in 1997 to Communist China, a backgrounder will be necessary

to understand the poignancy of the situation. A memorandum from the council of Hong Kong Indians Association succinctly sums up the issue: "The Sino-British agreement on Hong Kong was signed in December 1984 in Beijing by the prime ministers of China and Britain. It provides for a planned and orderly transfer of sovereignty over Hong Kong to China in 1997. It is expected that in spite of the transfer of sovereignty, Hong Kong will retain its social and economic system for another 50 years as a special administration region (SAR) of the People's Republic of China."

As the handout points out, the ethnic population of Hong Kong is overwhelmingly Chinese. Under the Sino-British joint declaration they will become Chinese nationals with the transfer of sovereignty, but will also be allowed to hold and use British travel documents. "At present, Hong Kong British nationals, whether ethnic Chinese or not, who do not have the right of residence in UK, have the status of British dependent territories' citizens (BDTCS). According to the proposed Hong Kong (British nationality) order between 1st July 1987 and 1st July 1997 BDTCS shall have the option of registering themselves into a new category to be known as British nationals (overseas). This status and the passport that goes with it do not provide for right of residence anywhere, although China will recognise their right of residence in Hong Kong through the issue of new SAR identity cards," the memorandum points out.

And herein lies the rub. The effect of this proposed legislation will be twofold. The ethnic Chinese in Hong Kong will be citizens of the Hong Kong SAR with the option to hold a British travel document. The BDTCS who are not ethnic Chinese on the other hand will have a kind of 'British nationality' which does not by itself guarantee right of residence in any British territory. Their right of residence in Hong Kong will be derived from the Hong Kong SAR identity card issued to them as foreigners resident in Hong Kong.

Practically stateless. "In practical terms the effect of this legislation on the minorities would be to render them practically stateless since a so-called nationality which does not guarantee right of residence in any of the territories within the jurisdiction of the state which bestows that status is totally devoid of substance. The council of Hong Kong Indian Associations, has been trying to highlight this problem and persuade the British authorities to grant full British citizenship with right of residence in Britain to this relatively small number of people," says K. Sital (55), vice president of the council of Hong Kong Indian Associations, who has been articulating the Indian minorities' woes vociferously.



Hong Kong skyline: for ethnic Indians a curious British nationality

Sital's continuous knocking on political doors for several months has, it appears, yielded some fruit. Earlier, a number of laboured arguments were put forward to explain and refute the Indian demand for right of residence in a British territory. But repeated lobbying with visiting dignitaries followed by the visit of a two man delegation (Sital and Lakshmi Narayan) to London to press for the Indian case has finally made a dent. A grudging concession was made by the House of Lords recently: "Future governments would be obligated to deal sympathetically with those 'under pressure' to leave Hong Kong."

What this really means is still uncertain and hence, not surprisingly, the jitters continue. As an economic force the contribution of the Indian community cannot be scoffed at. According to various estimates, the Indian community controls around 10% of Hong Kong's economy. Thus of the island's $60 billion GNP (Rs. 72,000 crores) a rough calculation would place the volume of trade controlled by Indians at around $6 billion. This does not include the returns from real estate business, wholesale trade and a host of other invisibles such as underwriting.

Tragically, however, last on the list of a Hong Kong Indian's settlement options is India, and to the oft asked query whether they would like to come back to India if let down by the British, the answer is usually an embarrassed "no". Umbilical ties with the mother country are maintained through the observance of festivals, the temple committees and Hindu Associations which are alive and vibrant organisations.

Unbelievable pace. But what stops them from coming home is the exhorbitant rate of taxation and an overwhelming fear of the all pervasive Indian bureaucracy which acts as a major deterrent to setting up business in India. "The pace of business here would seem unbelievable to most Indian businessmen," explained a large scale exporter. "For example I can buy a consignment of watches in Japan in the morning which will arrive here by late morning. By the afternoon the same consignment will be shipped to a third country. There is no question of time-consuming export documents, foreign exchange clearance or any such hassle. Besides, most of my work is done over the telephone. I can get through to any part of the world in a matter of minutes — in India, getting an international call through means waiting for eternity."

Clearly, the emotional ties with India are kept alive only at the ritualistic and spiritual level. Hardnosed business considerations have prompted them to plead for British nationality, they claim somewhat apologetically. India thus almost

BusinessWorld
June 23—July 6, 1986

surely stands to lose a good opportunity to acquire the services of a capable community that has demonstrated its financial wizardry.

At a time when the winds of liberalisation are sweeping through the corridors of power in New Delhi perhaps some attempts should be made to attract the enormous funds of risk capital that this community can provide. But for this, a decision must be taken at the highest political level soon before large numbers of this stateless community transfer their moveable assets to safer political havens.

Debjani Sinha recently in Hong Kong

MEXICO

World Cup cheers

Mexicans have been playing ball games for around 3,000 years as the elaborate ball courts in their pre-Hispanic ruins testify. On 31st May, they began hosting perhaps the greatest sporting spectacle, the World Football Cup, which opened in Mexico City with a match between defending champions Italy and Bulgaria. The competition promises to be one of the best ever, and at last offers Mexicans a respite from the almost unrelieved chain of misery they have suffered since the cruel earthquakes that sliced through Mexico City last September, killing at least 20,000 people.

Since then there have been flash floods; a freeze at the beginning of the year which sealed the thousands of tonnes of pollution particles in the air into the highland valley which holds Mexico City, turning it into a giant gas chamber; a resurgence of the foreign debt crisis following the oil price collapse, with consequent and grinding austerity; and what could have capped the lot—two very active volcanoes which threatened a repeat of the Armero tragedy in Colombia, but whose wrath has mercifully subsided.

Mexicans want and deserve something to cheer about; as a friend put it: "I don't even like football, but after all this, I'll damn well learn to." Arriving fans who saw the ravages of the quakes on television last September will find relatively little evidence left, unless they search it out. Mexicans are quick about cleaning up disasters and though the damage was massive, it was localised: the sheer scale of this metropolis—now the world's largest city with 18 million people and 3 million cars, usually immobilised in grid-locked traffic—absorbs a wound of that size.

Minimal cost. Mexicans pride themselves on their hospitality and after last year's moving international response to the earthquake emergency, they feel doubly inclined to be hospitable to the happier influx of visitors for the Cup. Dented self-esteem, not to mention money, is on the line. The cost of the competition to Mexico should be minimal. When Colombia declined to host the Cup on financial grounds, Mexico pointed out that having hosted the 1970 World Cup as well as the 1968 Olympics, all the basic infrastructure was already in place. "A good coat of paint will do it," the organisers said. Only one new stadium has had to be put up. The vital managerial experience for an event of this size was available, and the Mexicans were keen to show people—many of them their foreign creditors—that tney organise well.

The authorities also hope the Cup will be a showcase for the £ 2 billion (Rs. 3,700 crores) a year tourist industry. Slick five-minute tourism appetisers are being broadcast under their contracts, by all the 22 visiting television companies, before each of the 54 games, reaching an estimated 6 billion viewers worldwide. And for journalists at a loss for their tenth 'colour' piece on the competition, the organisers have astutely set up the so-called Project Amigo, which gives them push-button access to a computer bank of 2,000 articles, complete with captioned photographs, seeking to present Mexico's best face to the world. It remains to be seen whether this will compensate for the ban on alcohol at the otherwise meticulously planned press centre.

'The competition promises to be one of the best ever, and at last offers Mexicans a respite from the almost unrelieved chain of misery they have suffered since the cruel earthquakes that sliced through Mexico City last September, killing at least 20,000 people'

The world is watching the Cup by courtesy of Televisa, the company that has a monopoly on private television. Though the World Cup concession is held by a joint company in which Imevision, the much weaker state television network has a 25% stake, Televisa is the *de facto* organiser of the whole event—and its prime beneficiary. It is the largest television network in Latin America and had a virtual monopoly on the large Spanish-speaking audience in the US as well until its 300 outlet Spanish International Network was broken up this year by an anti-trust suit.

Endlessly controversial. The business interests who own it are known popularly as the *pulpo* or octopus and have the local cable television business, two leading newspapers, and substantial holdings in tourism and industry. Secretive, powerful and endlessly controversial, Televisa receives the obeisance of ministers, even though it is staunchly reactionary and slavishly pro-American in a nationalist country fiercely defensive about its independence.

Televisa has very close links with the World Cup. Its vice president, Guillermo Canedo, is also vice president of FIFA, the international football federation and of the World Cup organising committee here. The company's majority shareholder, Emilio Azcarrago, helped Joao Havelange, the Brazilian president of FIFA, (which has subsequently come under fire for inadequate broadcasting arrangements) to acquire the Record TV Network in Brazil. Rumour has it that Azcarrago is seeking sole rights to the next World Cup in Italy; he would appear to be well placed to do so.

But Televisa has a tendency to overreach itself. One foreign television executive has said his company is paying for Televisa's World Cup services in a US bank account—not actually illegal, but neither is it much good to foreign exchange-starved Mexico. A concerted effort by European broadcasting companies managed to force down what they regarded as excessive prices for Televisa's services, but having paid for them, they may not get what they wanted.

The reason is security. Most live coverage of such major football events is a mixture of the 'multilateral,' produced by the company holding the concession, and 'unilateral' pictures taken by outside companies who edit into the main coverage the close-ups and aspects of play that interest them. The BBC pioneered this closer focus on the action for the 1966 World Cup in England, and the practice then spread around the world.

But the security people here are demanding restrictions on the placing of "unilateral" cameras—which would mean a more distant and dull view of the play—and on the entry of outside broadcasting control units, crucial to editing on the run. Alternative control

units require new circuits to be installed very quickly. Both Televisa and the visiting companies were trying to get the restriction relaxed.

Local enthusiasm in the lead-up to the 31st May kick-off focused on Hugo's knee. The whole nation seemed to breathe a sigh of relief when Hugo Sanchez, Mexico's star striker, was pronounced fit to play, having recovered from a knee injury sustained while playing for Real Madrid in the European Cup Final. For the second time last season, Sanchez was the leading goal-scorer in the hard school of the Spanish League, scoring 22 times, which is one more than Mexico has scored in the whole history of the World Cup.

Little overkill. Aside from Hugo, the Mexicans have taken the Cup very much in their stride. Though souvenirs from soap to World Cup computer software are on sale, there has been little of the commercial overkill which marked the last one in Spain, and it is doubtful whether the Spaniards' 82% ticket sales will be reached.

There have been imported teacup storms as well centring largely on the travails of the Argentinian and Brazilian teams. Their managers are controversial and their lacklustre performances have become a question of state, with questions being asked in their parliaments. In Paraguay, the director, General Stroessner, stirred up additional opposition to his rule imposing a special beer tax to finance the national team. The strongest of the Latin American teams is probably little Uruguay, with an uncompromising European-style defence, the ability to change pace rapidly from midfield, and a superb striker, Enzo Francescoli, known in Buenos Aires, where he plays, as 'the Prince.'

Sympathy is running high for Brazil, first and foremost, because as three times World Cup winners with an inbred genius for the game, they will always be the kings, but at the moment because they arrived demoralised and plagued by injuries including a Sanchez-style injury to their star, Zico. And their cook fell ill, with food poisoning.

The championship is one of the most wide open there has ever been, with any one of more than half a dozen teams capable of winning above all because it becomes a knockout competition after the first round. Interest in the five or so European teams in the running has been remote, with much speculation about their ability to survive the altitude and heat. Though England is regarded as a formidable team, it is the players' eating habits which have been most closely annotated. They have brought 14,000 salt tablets, and bottles of HP sauce.



World Cup fever in Mexico city: the cost to the urban poor is severe

The Spaniards excited a certain amount of amusement by going to train along the route taken by Hernando Cortes, in his conquest, basing themselves at the town named after La Malniche, his Indian mistress, who served as the conquistador's translator and whose name ever after became a synonym for treachery. The French, with the greatest mid-field player in the world, Michel Platini, have received the most notice of the Europeans, while Italy, the defending champions, were cordially condemned by the local press for ducking the press conference required on arrival. As for the English, they should feel at home. It was British mining company technicians who introduced the game to Mexico in 1900.

Hustled off. Though the outlay for the Mexican state may be low, the cost to much of its urban poor is severe. Armies of street vendors, selling everything from combs to chewing-gum, contraband designer jeans to rabbits, have been hustled unceremoniously off the streets by authorities who presumably regard them as unsightly.

The problem of the poor is particularly acute in Nezahualcoyotl, on the eastern fringe of the capital, where Scotland will be playing their games. Neza, as it is more manageably known to those who do not speak Nahuatl, the ancient Aztec tongue, was originally a development for 23,000 people but has become one of Latin America's "lost cities," a mega-slum of 4 million people, mostly immigrants from the countryside in search of work. Over the past 15 years large sections of Neza have become lower middle class through public and individual spending. More than half the roads are now paved, a majority of houses have running water, and there are even trees in the main streets. But much of commerce takes place in these streets, and the authorities are risking serious protests by trying to hide it.

Furthermore, the World Cup coincides with the partial lifting of subsidies on a range of basic goods and services, including staple foods like tortillas and what for decades has been one of the cheapest public transport systems in the world—it has (hitherto) cost less than a tenth of a penny for a ride on the metro.

Though some subsidy reduction or rationalisation was inevitable in Mexico's financially strapped circumstances, the government has not prepared its ground well. A system of tortilla vouchers, to purchase this maize pan-

cake at near the old rate, has been introduced, and union leaders say the state's subsidised food distribution network has been handed over to them. This will dull the blow for unionised workers and state employees who get the vouchers in their wage packets, but it is not clear how the neediest—the more than half the workforce without full-time jobs—are to be protected.

The government may be banking on the World Cup as a distraction, but there is a tradition of protest around this type of event, most infamously during the 1968 Olympics, when the army massacred up to 500 left-wing student demonstrators in a central Mexico City square. Some protests, including a blockade of the Neza Stadium, have already been planned around the food issue; sectors of the left have had some success in popularising the slogan: "We want beans (*frijoles*) not goals (*goles*)."

Image abroad. The authorities are nevertheless expected to go to great lengths to avoid any incident which would mar either the spectacle or Mexico's image abroad. During this year's May Day marches, for example, Mexico's crack riot squad endured a far greater degree of stoning and provocation from dissidents than the British police would have done before moving in—not least because half a dozen international television networks were looking on.

Mexico has almost no experience of terrorism and plans to try to keep it that way. It has sought outside advice on crowd control and security, mainly from the French and the FBI. Between police, the army, and a new anti-terrorist squad, some 20,000 people are on duty. The airports are crawling with security personnel.

The black legend of the British fans' hooliganism has, of course, been taken into account. The British authorities have provided the Mexicans with lists of known offenders and the authorities say there is one plainclothes or uniformed policeman for every 100 spectators.

But the security men's main problem so far has been restraining the advance guard of the 5,000 to 6,000 journalists who have already contributed to three near-riots while welcoming incoming teams. Ahead in the pointed elbow stakes so far are the Brazilians, but they after all cover the recognised soccer superpower and have to provide their readers and viewers with religion.

David Gardner
(By special arrangement with the Financial Times, London)

LETTER FROM BANGKOK — JOHN MCBETH

The war of the generals

When prime minister and defence minister Prem Tinsulanond rejected a one-year extension of service for supreme commander and army commander General Arthit Kamlang-ek two months ago, he lit a fuse that is likely to keep burning all the way to the ambitious general's last day in the military on 31st August. Differences within the military, polarised around the respective power centres of Prem and Arthit, have overshadowed the run-up to the general election slated for 27th July and may have an important bearing on whether the prime minister will seek a public mandate.

The split is now there for all to see. In the space of two days, ranking officers of the Special Forces Command—incorporating two crack paratroop divisions—and those attached to the 3rd Army Region, covering Thailand's northern provinces, converged on Prem's official residence in an open show of support. Special Forces commander Lieutenant General Sunthorn 'Big George' Kongsompong, whose nickname belies his slight build, made the same gesture in February.

Army's neutrality. The two demonstrations of support came on the heels of an Arthit directive ordering army officers to refrain from giving interviews or making comments on the political situation without his permission, one of a number of pronouncements in which he has sought to convince public opinion of the army's neutrality in the forthcoming election campaign.

Relations between Prem and Arthit have clearly been sour for the past 18 months, but they took a turn for the worse over the extension issue and nose-dived even further in early May because of suspicions that Arthit had a behind-the-scenes hand in the toppling of Prem's four-party coalition government.

Arthit has angrily denied suggestions that army elements were in any way involved in the vote-buying that preceded the administration's dramatic collapse, which has since led to a series of major realignments in the political party structure. The Democrat and Chart Thai parties still look to be the front-runners despite some significant defections from the latter.

But big business money appears to be firmly behind the newly formed United Democrat Party (UDP)—a marriage of old-guard politicians led by Boontheng, former Chart Thai deputy leaders Tavich Klinprathum and Narong Kittikachorn, and landowner Phol Rerngpraservit, the one-time financial adviser to the late army strongman, General Kris Sivara.

Apart from declaring its support for Arthit, either as a possible prime minister or defence minister, the UDP is trying to prevent the democrats from forming the nucleus of a new government headed by Prem. Foreign minister and deputy prime minister Siddhi Savetsila's shattered Social Action Party and communication minister Samak Sundaravej's troubled Prachakorn Thai (Thai Citizen) party, two of the other parties making up the outgoing coalition, are both likely to remain loyal to the prime minister. But other splinter groups could very well weigh in behind the UDP, leaving Pramarn Adireksarn's Chart Thai—which has an unpredictable track record—to pick over the alternatives when the election results are in.

Mounting pressure. All this, of course, does not belie the fact that Prem has little time before the election to decide what way to jump. Political sources say he is under mounting pressure to run in the election—a course of action he does not particularly favour given his distaste for verbal combat and the way it would cut down on his room to manoeuvre, but one which would go a long way towards re-establishing his political credibility and cutting the ground from under his opponents' feet.

If he does decide to run, it would probably be with the Democrats and possibly as a shoo-in in his home province of Songkhla, though some analysts feel he would reap considerable political capital by standing in Nakhon Ratchasima on the Central Plains—the largest of four major north-eastern electorates that could be crucial to the party's overall showing. The Democrats may not be particularly well liked in many quarters of the military, but they do appear to offer the best alternative for those in the Prem camp, including the army officers whose careers rest to a large degree on the prime minister staying in power.

AUTOMOBILES

Chrysler's divestiture

■ In order to part finance its massive expansion and diversification programme, the US-based Chrysler Corporation (sales: $21.2 billion or Rs. 25,440 crores in the year ended 31st December 1985), the third largest US automotive vehicles manufacturer, is divesting its 12.5% holding in the French company, Peugeot, at a price of about FFr 2 billion (Rs. 324 crores).

While approximately 25% of Chrysler's holding in Peugeot will be purchased by French commercial and industrial groups, the majority of the shares, *viz.* 17,75,000 shares are being sold outside France by S.G. Warburg, the well known UK-based merchant bank. This marks the largest ever international placing of French equities.

The divestiture follows closely on the heels of an agreement between Chrysler and Officine Alfieri Maserati Spa, the Italian automotive vehicle manufacturer, under which Chrysler will raise its current 3.5% stake in Maserati to over 50%.

AVIATION

Boost for Boeing

■ The Seattle (US)-based aircraft manufacturer, Boeing Airplane Co. (sales: $13.636 billion or Rs. 16,363 crores in the year ended 31st December 1985) has been awarded a $750 million (Rs. 900 crores) contract by Piedmont, a US domestic airline, to supply 25 737-400 aircraft. The aircraft, a revised version of Boeing's existing 747 airliner, will be developed at an estimated cost of $50 million and put into service by the end of 1988. Piedmont also holds an option for the purchase of 30 additional aircraft, which could raise the value of the contract to $1.9 billion.

The 737-400 will cost about $30 million per aircraft and seat up to 150 passengers. It will compete directly with the Airbus-320 — which is also being developed at a higher cost of $1.5 billion or $2 billion — and will also enter the market by late 1988. Although Airbus Industrie, based in Toulouse, France has already received orders for over100 Airbus-320s, Boeing hopes to top this figure very soon with the successful conclusion of ongoing negotiations with buyers in the US and in West Europe. Lufthansa, the West German airline, has already placed an order for six new Boeing 747-400s with an option on nine more.

COMPUTERS

Burroughs' triumph

■ Emerging triumphant from what was described as a "complex tactical battle" the Detroit (US)-based computer manufacturing company Burroughs Corporation (sales: $5.04 billion or Rs. 6,048 crores in the year ended 31st December 1985) clinched a hard won merger agreement in late May with its closest rival, New York (US)-based Sperry Corporation (sales: $5.74 billion or Rs. 6,888 crores in the year ended 31st March 1986).

The $4.78 billion (Rs. 5,736 crores) merger agreement followed Sperry's acceptance of the sweetened cash and paper offer of $76.50 per share. The merger will make the as yet unnamed Burroughs and Sperry combine the second largest computer group in the US. The merger will enable it to take on with a measure of confidence the prevailing competition, particularly that of the market leader, the hefty IBM Corporation (sales: $50.06 billion or Rs. 60,072 crores in 1985) not to mention the US market-hungry Japanese computer manufacturers.

While Burroughs and Sperry will maintain separate headquarters and sales operations, the merger will result in a pooling of critical technical and financial resources. The merged company also plans to liquidate some of its assets (valued at an estimated $1.5 billion) in order to reduce the debt burden.

OPEC

Dashed hopes

■ The fond hopes of OPEC — that lowered oil prices would lead to increased global consumption of petroleum products — have been squashed by several industrialised and developed countries such as UK, Ireland, Denmark, Egypt and Australia and even a few Asian nations, India included, which responded to the new price situation by raising consumption taxes on petroleum products to generate extra revenue.

In fact, some of the countries, *viz.* Denmark, Egypt, Portugal, Greece, Spain and India actually hiked tax rates to the extent that the resultant prices of petroleum products were pushed to a higher level than that which existed before OPEC's announcement of a reduction in oil prices.

OPEC's lowered prices therefore have benefitted neither OPEC nor the consumer. Rather than pouring oil on troubled waters, OPEC's move has turned out to be a clear case of adding fuel to the fire.

TELECOMMUNICATIONS

Siemens' Pakistan contract

■ The West Germany-based telecommunications equipment manufacturer, Siemens AG has won a project contract for setting up digital telephone exchanges in Pakistan. The project, estimated to cost about $145 million (Rs. 174 crores) is the first of 30 projects that the Pakistani P&T plans to undertake, to update and expand the country's telecommunication systems.

As part of the contract, Siemens will initially supply 50,000 local digital lines and 25,000 trunk dialling lines, valued at $22 million (Rs. 26.4 crores). The terms of the contract also specify that over the next five years, Siemens will provide components and spare parts related to the contract, and will also grant the Pakistani P&T access to its research and development facilities.

The company has also signed an agreement with the government of Pakistan to jointly promote a digital equipment manufacturing plant and a software development centre.

JAPAN

Combating recession

■ The Japanese government has introduced various measures to help reduce the impact that a strong yen is having on the country's economy. While the yen has lost some ground to the US dollar in recent days, its exchange rate against the dollar remains about 27% higher than the rate that prevailed when the US, Japan, West Germany, France and Britain agreed last September to drive the value of the dollar lower to help narrow the US trade deficit. Because of the strong yen, Japan's Economic Planning Agency indicated that the output of the Japanese economy may contract after a record expansion for 36 consecutive months.

The new measures include a cut in the interest rates on special loans to small and medium-sized companies to 4.85% from 5%, and flexible repayment terms for companies that have already taken loans and are scheduled to repay them over the next year.

To combat unemployment, the government has taken steps to ease restrictions on bank loans to smaller companies to facilitate the training of new employees or a switchover to another line of business.

ORISSA CEMENT

Encouraging outlook

The current year's (1986) outlook for Orissa Cement Ltd., a well-known cement manufacturing company, which has diversified into the manufacture of refractories, fertilisers and chemicals, is highly encouraging. Its sales turnover is expected to reach the Rs. 100 crore mark for the first time in its 36-year history.

The company has undertaken an ambitious modernisation programme for its cement plant at an estimated cost of Rs. 53 crores. The modernisation programme, which is scheduled to be completed by end 1987, will cut down production costs, improve the quality of the product, bring down the company's levy sale obligation to 40% of its produce and improve its profitability noticeably.

In the meanwhile, the company's refractory division is doing well and is also diversifying its product mix to include hi-tech varieties of refractories. The production and sale of refractories, which improved from 76,000 tonnes in 1984 to 80,000 tonnes in 1985, is likely to go up to around 100,000 tonnes this year in view of the higher targets set for steel production by steel plants, which are major users of refractories.

Thus, all the three divisions are doing well in the current year, and sales and profits are expected to increase. The shareholders can certainly expect better returns than the 25% dividend paid for 1985.

DEEPAK FERTILISERS

Ambitious diversifications

Deepak Fertilisers & Petrochemicals Corporation Ltd., the well-known Bombay-based (plant at Taloja) manufacturer of ammonia, is planning to transform itself from a single-product company into a well-diversified conglomerate.

The company, which is a part of the Mehta group, proposes to enter the new fields of transportation (land, air and sea), leasing, hire purchase and finance, as well as electronics (particularly television receivers, television tube shells and finished tubes), photo films, video cassettes, audio-visual equipment, telecommunication equipment, computers, etc. Diversification into these new areas will push up the company's sales turnover to around Rs. 500 crores within the next decade.

In the meanwhile, the company has embarked upon a plan to diversify its chemicals product mix. It has already commenced implementing a letter of intent to manufacture 75,000 tonnes per annum of dilute nitric acid, 25,000 tonnes of concentrated nitric acid and 56,000 tonnes of low density prilled ammonium nitrate. This project, which is estimated to cost around Rs. 32 crores, will utilise a sizeable portion of the ammonia being manufactured by the company.

In the meanwhile, the prospects for the current year ending December 1986 are quite good. The sales turnover of the company is likely to reach the Rs. 50 crore mark and gross profit may exceed Rs. 10 crores. Shareholders can certainly expect a maiden dividend of 15% to 20% for 1986, which will be the seventh year of the company's existence.

SYNTHETICS & CHEM

Expansion plans

Synthetics & Chemicals Ltd., the well-known manufacturer of synthetic rubber, has launched an ambitious expansion programme.

The company's two new projects *viz.* styrenated phenol and acrylonitrile butadiene styrene plastics are scheduled to go on stream this year (1986). And now it is awaiting the green signal for three more projects *viz.* for expanding the capacity of its rubber plant from 30,000 tonnes to 70,000 tonnes per annum, and for setting up two units for the manufacture of 18,000 tonnes per annum of polystyrene and 30 million litres per annum of ethyl alcohol.

Meanwhile, the outlook for the current year ending 30th September 1986 is slightly better than for the previous year as the company has been allowed to import butadiene — a raw material used in the manufacture of synthetic rubber — duty free. Last year, the shortage of industrial alcohol had hit the company's production and profitability. The working results of the company are expected to be better this year and the shareholders, who had been denied an adequate return on their capital for many years, can expect a higher dividend than the paltry 8% paid last year (1984-85).

Companies this fortnight

(Rs. crores)

	Orissa Cement (year ending December)			Deepak Fert. (year ending December)			Synthetics & Chem. (year ending September)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Sales	79.31	77.07	79.32	Nil	23.45	33.70	39.99	41.39	45.41
Gross profit	2.62	3.60	6.83	–	6.10	8.91	−0.01	2.37	1.08
Paid-up capital	3.10	2.70	2.70	–	12.98	12.99	5.81	5.81	5.81
Reserves	17.82	19.94	62.33	–	−0.60	2.05	2.36	3.75	3.49
Gross fixed assets	41.10	45.94	87.07	–	61.27	61.58	28.28	28.61	28.82
Dividend (%)	25.00	20.00	25.00	–	Nil	Nil	Nil	8.00	8.00
Earnings per share (Rs.)	13.63	11.11	4.82	–	−0.52	2.30	−16.80	26.71	6.96
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	100.00	100.00	100.00
Market price as on 6th June 1986 (Rs.)			37.00			52.00			90.00

NEW INDIA ASSURANCE

Mixed results

The New India Assurance Co. Ltd., (NIA) the largest general insurance company in the country, has reported mixed results for the year ended 31st December 1985. While the company's gross direct premium income was higher at Rs.370.21 crores, *cf.* Rs.315.80 crores in 1984, profit before tax declined to Rs.68.90 crores in 1985, down from Rs.76.87 crores in 1984. The decline was due mainly to the payment of wage arrears aggregating to Rs.9.5 crores.

However, net profit was higher in 1985 at Rs.39.40 crores *cf.* Rs. 31 crores in 1984. The board of directors has recommended a dividend of 40% and has declared a bonus issue of shares in the ratio of 4:10.

As the largest general insurance company in the country, New India Assurance operates through 13 regional offices, 184 district offices and 554 branch offices. Besides, it also operates directly in 30 foreign countries.

The company envisages a growth rate of 41.6% in its rural insurance business in 1986, the aggregate value of which is projected to increase from Rs.16.82 crores in 1985 to Rs.23.88 crores in 1986 in terms of insurance premiums. Consequently, the company has targeted a 21.2% increase in its gross direct premium income, which is expected to increase from Rs.338.41 crores in 1985 to Rs. 410 crores in 1986.

NOCIL

Improved results

National Organic Chemical Industries Ltd. (NOCIL), the Bombay-based manufacturer of petrochemicals and agrochemicals has posted good working results for its year ended 31st December 1985. The improved performance of its plants at Thane and Ratnagiri which manufacture petrochemicals and agrochemicals respectively, have resulted in a higher sales turnover of Rs.251.5 crores in 1985, *cf.* Rs.226 crores in 1984.

Gross profit was also higher at Rs.34.42 crores in 1985, *cf.* Rs.26.97 crores in 1984, while net profit rose to Rs.19.15 crores from Rs.14.03 crores during the same period. Not surprisingly, the directors have recommended a higher dividend of 18% for 1985, *cf.* 16% paid in 1984.

Meanwhile, the company has announced a massive Rs.1,300 crore modernisation programme. The company plans to expand its major product lines and also introduce new products such as polypropylene, styrene, polystyrene and polybutanes, among others.

SIYARAM SILK

Impressive show

Siyaram Silk Mills Ltd., the Bombay-based manufacturer of synthetic fabrics, has recorded impressive results for the year ended 31st December 1985. Sales turnover at Rs.45.25 crores was 41% higher than the previous year's figure of Rs.32.09 crores. Gross profit rose by 69% to Rs. 2.46 crores from Rs.1.45 crores, while net profit was also considerably higher at Rs.1.21 crores, up 55% from Rs.77.9 lakhs in 1984.

The improved results have enabled the directors to declare a dividend of 15% *cf.* 13% in 1984.

The company is all set to improve its performance further, with an ambitious diversification plan which promises improved profitability and a higher sales turnover. Its new texturing and dyeing plant at Patalganga is already on stream, and the company is now setting up a Rs.15 crore modern weaving unit at Murbad, Maharashtra, with 48 Sulzer looms. The company is also planning to establish a Rs.15 crore spinning facility at Aurangabad, Maharashtra.

GSFC

Record dividend

The Baroda-based public sector fertiliser giant, Gujarat State Fertilisers Co. Ltd. (GSFC — sales: Rs.229.7 crores for the year ended 31st December 1984) has paid out a record Rs. 2.64 crore dividend (Rs.27 per equity share) to the state government for its year ended 31st December 1985. This is the highest dividend to be paid by a fertiliser company in India so far.

A major money spinner for the state government, GSFC has paid about Rs.39 crores in sales and professional tax during the last six years. The market value of GSFC's equity share capital increased to Rs.171.50 crores which means a 39 fold increase over the original investment of Rs.4.41 crores made by the state government.

GSFC has also finalised an ambitious plan to invest about Rs.600 crores in an expansion programme which will help increase its turnover further.

DHAR CEMENT

Dividend skipped

The recently established Indore-based mini cement plant, Dhar Cement Ltd. (DCL), has posted encouraging results for the first 15 months of its operations ended 31st December 1985. Having attained a 100% capacity utilisation level on 1st February 1985, it went on to record

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
Nira Pulp & Paper Mills	E	1st July	1.50	Long term working capital requirements
Asup Synthetics & Chem	E	1st July	0.70	Expansion and modernisation
Bajaj Steel Industries	E	1st July	0.96	Working capital requirements
M.J. Pharmaceuticals	E	2nd July	1.26	Working capital requirements
Haryana Oils & Soya	E	7th July	0.70	Expansion and diversification
Atlas Soya Products	E	8th July	1.09	Expansion and modernisation
Neyveli Lignite	Bonds	14th July	50.00	Expansion and modernisation

E=Equity, face value Rs.10

BusinessWorld
June 23—July 6, 1986

sales of Rs.5.72 crores, gross profit of Rs.1.66 crores and net profit of Rs.45.44 lakhs for this period. However, due to a working capital crunch and capital expenditure needs, the board of directors has decided not to pay a dividend for the recently concluded year.

DR. REDDY'S LABS

Going public

Dr. Reddy's Laboratories, the Hyderabad-based manufacturer of methyl dopa — a life saving drug — has recorded a sales turnover of Rs.1.20 crores for the first six months of its operations ending 31st December 1985. It has also announced a maiden interim dividend of 15%.

The company has formulated plans to expand the capacity of its methyl dopa manufacturing plant to 60,000 tonnes per annum from the existing 24,000 tonnes per annum, at a cost of Rs.2.56 crores. Besides, it also plans to undertake the manufacture of several other bulk drugs.

To finance its expansion plans, the company entered the capital market in the first week of June with a public issue of equity shares and non-convertible redeemable debentures aggregating to Rs.2.51 crores.

WIRES & FABRIKS

Fair performance

Wires & Fabriks (S.A.) Ltd., the Jaipur-based manufacturer of forming fabrics and fourdrinier wire cloth, has performed fairly well during the year ended 31st December 1985. While the company's sales increased by 7.5% from Rs.3.19 crores in 1984 to Rs.3.34 crores in 1985, gross profit increased by 17.1% to Rs.85.88 lakhs, from Rs.73.30 lakhs in the previous year. The company's net profit was also higher at Rs.31.02 lakhs *cf.* Rs.28.22 lakhs in 1984. A 10%dividend has been recommended for 1985.

The company has recently installed a 10.5 metre wide loom, for the manufacture of wider width fabrics. The loom, which is the only one of its kind in Asia, is expected to reduce the dependence of newsprint mills in India on imports of wider width fabrics. The company has already contracted with several paper mills to supply them with synthetic wire cloth manufactured on the new loom.

PEOPLE & PLACEMENTS



S.L. KHOSLA has been appointed chairman of the Indian Oil Corporation Ltd.



K.P. SINGH has been elected president of the PHD Chamber of Commerce and Industry



R. SANKARAN has been appointed chief executive (merchant banking division) of the Standard Chartered Bank in India.



G.R. BHANDARI has taken charge as director (personnel) of Western Coalfields Ltd.



H.V. MARIWALA has been re-elected chairman of the Vanaspati Manufacturers' Association



J.C. GUPTA has taken charge as director (technical) of Western Coalfields Ltd.



S.K. BIJLANI has been elected chairman of the Association of Indian Engineering Industry (northern region)



J.M. VERMA has been appointed vice president (operations — western region) of Taj Group of Hotels.



H.K. KHAN has been appointed chairman of Gujarat Hotels Ltd.



D.S. CHAVDA has been appointed vice president (operations — northern region) of Taj Group of Hotels.



S. PONNAMBALA-NATHAN has taken charge as director (personnel) of the Neyveli Lignite Corporation Ltd.



S.S. DHANESHA has been appointed chairman and managing director of Vishal Electro-Mech (India) Ltd.



NEENA VARMA has been appointed vice president of Clarion Advertising Services Ltd. (western region)



J.S. SRIVASTAVA has been appointed as honorary secretary of the All India Food Preservers Association.

Retrograde step

The decision taken by the political affairs committee of the Union cabinet on 10th June to ban the conversion of non-convertible debentures and of the non-convertible portion of partially convertible debentures into equity shares by companies has attracted considerable attention in the press and in the capital market. This is particularly because the ban was announced on the eve of the board meeting of Reliance Industries, at which a proposal to convert its existing 'E' series (comprising the residue portion of a previously converted convertible debentures issue) and 'F' series (consisting altogether of a non-convertible debentures issue made last year) of debentures into equity shares was high on the agenda.

This was the second time that the Reliance management was all set to make a conversion proposal to the controller of capital issues. Two years ago, this company had converted all of its four debenture series that were outstanding at that time into equity by issuing 1.4 equity shares in exchange for every debenture (Rs. 100 paid up).

Legal position. Nevertheless, the question of how far the intervention of the Union government is in accordance with the prevailing legal position in respect of such conversion is worth examining. Another question that arises is, to what extent is this intervention by the Union government in keeping with the practice of more developed countries?

These questions beg consideration, because the conversion proposal of Reliance Industries, which government intervention has scotched, could have established a trend, as this pace-setting company has done in the past, for other corporate managements to follow. The record of the Reliance Industries management in making convertible debentures an attractive proposition for investors and as an innovative resource mobilising instrument for corporate managements, is well known.

Indeed, all four erstwhile series of debentures as also one of the two existing series issued by the company were of non-convertible debentures. As a consequence, a large number of companies in this country followed the Reliance example and raised capital through public issues of both convertible and non-convertible debentures. With Reliance management all set to convert the E and F series of debentures, both in essence non-convertible, into equity as it had done for the previous four series to the extent of the residue portion of the convertible debentures two years ago, it could well have set another trend for the corporate sector to follow.

There was nothing extraordinary (except that only the Reliance management has put a simple idea into practice) about the conversion of non-convertible debentures into equity until the political affairs committee of the Union cabinet decided to intervene to ban such conversion. Such conversion is in fact permitted by the guidelines laid down for debenture issues in the Capital Issues (Control) Act, 1947. Therefore, given the legal sanction for conversion of non-convertible debentures into equity shares, it is questionable whether the Union government has acted wisely in imposing its executive prohibition of the same.

'Such conversion is in fact permitted by the guidelines laid down for debenture issues in the Capital Issues (Control) Act, 1947. Therefore, given the legal sanction for conversion of non-convertible debentures into equity shares, it is questionable whether the Union government has acted wisely...'

The conversion of debentures into equity of a neccesity entails (as was the case with the Reliance Industries' first four series of debentures as stated earlier) the exchange of debentures for equity shares at a premium. This is natural, because, while debentures earn an investor a fixed return, equity shares as a risk-bearing investment always command a premium on the issue price. Besides, only profitable and flourishing enterprises are in a position to consider the conversion of debentures into equity so as to be able to service the commensurately augmented share capital. The shares of such companies invariably assure the prospects of appreciation in market value. And from the company's standpoint the conversion of debentures into equity not only reduces the debt of the company but also boosts its net worth because the premium amount collected on the issue of equity shares in exchange for debentures is canalised into its reserves.

Extinguished liability. In short, such conversion enables companies to enlarge their 'owned funds.' Reliance Industries' management did precisely this when it extinguished the company's debenture liability two years ago. Against an aggregate debenture debt of Rs. 71.63 crores it extinguished, it expanded its equity base by Rs. 9.98 crores and canalised a much larger amount of Rs. 61.60 crores into its share premium account. As a company's borrowing capacity is correlated to the amount of its 'owned funds' (share capital and reserves), the enlargement of its net worth of conversion of debentures into equity can also enhance the borrowing capacity of a fast growing company as it did in the case of Reliance Industries two years ago.

While on the subject of enlarging the capital base of companies, the management of Reliance Industries is ready to take another big step forward. This is in respect of a leasing company it proposes to promote under the name and style of Reliance Capital & Finance Trust Ltd. The Reliance management has reportedly almost finalised a proposal to issue the equity shares of this new venture at an unheard of (in India) premium of Rs. 15 per share of Rs. 10.

This proposal is quite in line with accepted trends in the developed countries abroad where new issues are made at a price that capital market forces determine, based upon the merits of the company's project proposal and the track record of its management.

The management of Reliance will still have to secure, as is the practice in this country for companies issuing equity or debenture capital, the consent of the controller of capital issues to this proposal. Assuming it does succeed in securing the consent, this will be the first time ever that a new company in this country will be issuing its shares at a premium.

Innovative capability. Dhirubhai Ambani, the chairman and managing director, Reliance Industries, has exhibited rare innovative capability and courage to experiment with new ideas to canalise the community's investible resources into productive channels. This is, incidentally, in line with the Union government's oft expressed desire that private sector companies in this country should rely more on the capital market for their financial needs and need to devise new ways to tap household sector savings.

Seen in this context, the decision of the political affairs committee of the Union cabinet to ban the conversion of non-convertible debentures and the non-convertible portion of partially convertible debentures into equity shares by a company is a retrograde step.

Artymon

Firm trend

Despite the crash in the prices of the non-convertible debentures of Reliance Industries, equity quotations remained firm during the fortnight ended 13th June. The bullish sentiment was aided by the announcement of wide ranging fiscal concessions by the Union finance ministry to a large number of industries. Besides, the Union government's reported intention to liberalise the Foreign Exchange Regulation Act (FERA) also bolstered market sentiment.

Confirming the bullish fervour, *The Economic Times (ET)* index of ordinary shares (1969-70=100) advanced by 2.61% from 528.2 on 2nd June to 542 on 13th June. Following suit, the *Financial Express* equity index (1979=100) gained 3.35% to close at 372.30 on 13th June.

The highlight of the trading during the fortnight was the sharp decline of approximately Rs. 100 in the prices of the non-convertible debentures of Reliance Industries following the government's abrupt announcement on 10th June banning the conversion of non-convertible debentures into equity shares.

However, iron and steel equities were distinctly buoyant because of sustained speculative buying, with the *ET* index for these scrips moving upward by 6.74% to 1919.7 during the fortnight. Man-made fibre equities too were in the limelight because of hectic bear covering coupled with speculative support. As a result, the *ET* index for these scrips rose by 5.72% from 872.1 to 922.1 during the fortnight.

In keeping with the general trend of the market, engineering shares also forged ahead on fresh support, with the *ET* index for these scrips moving up by 5.42% to 994.3 during the fortnight. Cement share values improved further following reports of a rise in the price of non-levy cement in the open market. However, plantation equities displayed a bearish trend in the absence of fresh support with the *ET* sectoral index for these scrips declining by 6.61% to 380.5 during the fortnight under review.

"Equity values are likely to remain subdued for sometime because investors are tempted to book profits at higher levels because of the meagre capital gains tax that they have to pay. Besides at current high levels select scrips offer a yield of hardly 1.5% to 2%. Also many investors have burnt their fingers dabbling with Reliance debentures. Therefore investors are likely to keep off the markets for sometime, and wait for a fall in equity prices," observes Arvind Dalal, a senior partner of Chimanlal J. Dalal & Co., a reputable stockbroking firm with offices in Bombay and Ahmedabad.

S. Dhruv

BOMBAY

Name/Industries	1985 Price range High (Rs.)	Low (Rs.)	Dividend per share (Rs.)	Opening 2-6-86 (Rs.)	Closing 11-6-86 (Rs.)	Yield %
1	2	3	4	5	6	7
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	360.00	355.00	4.2
Bombay Dyeing (25)	156.00	63.00	1.75*	106.00	103.00	1.7
Century Spg (100)	1530.00	805.00	24.00*	845.00	850.00	2.8
Century Enka (100)	1240.00	600.00	34.00	1040.00	1080.00	3.1
Garware Nylon (10)	64.00	24.50	1.80	48.50	46.00	3.9
Gwalior Rayon (10)	88.00	53.50	2.20	82.00	80.00	2.8
Indian Rayon (10)	144.00	66.00	2.40	135.50	145.50	1.7
JK Synthetics (10)	118.00	51.70	1.50	114.00	126.00	1.2
Mafatlal Ind. (125)	400.00	235.00	22.00	402.50	450.00	4.9
Nirlon (10)	73.00	37.00	2.25*	46.00	42.00	5.4
Reliance Ind. (10)	252.00	121.00	4.00	365.00	373.00	1.1
S. I. Viscose (100)	285.00	170.00	15.00	225.00	225.00	6.7
Standard Mills (100)	475.00	272.00	12.00	490.00	470.00	2.6
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	160.00	160.00	12.5
Ballarpur (10)	68.00	43.00	2.20*	58.00	56.00	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	32.00	31.00	...
Jayant Paper (10)	28.00	13.50	2.00	17.00	16.00	12.5
Orient Paper (10)	101.00	59.00	2.00	81.50	81.50	2.5
Steel						
Mukand (10)	54.00	21.75	N.A.	48.00	48.00	...
Tata Steel (100)	1255.00	379.50	21.00	1360.00	1535.00	1.4
Zenith Steel (10)	78.00	27.50	2.50	80.00	95.00	2.6
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	21.00	20.75	...
Ferro Alloys (100)	275.00	125.00	12.50	272.50	290.00	4.1
Hindustan Alum (10)	94.00	51.00	1.35*	85.00	87.00	1.6
Mahindra Ugine (10)	49.00	27.00	N.A.	99.00	28.00	...
Engineering						
Antifric Bearings (10)	60.00	21.50	1.40	20.50	90.00	7.4
Associated Bearing (100)	800.00	435.00	20.00	690.00	725.00	2.8
Atlas Copco (10)	72.00	35.00	1.20	77.00	83.00	1.4
Bharat Forge (10)	90.00	29.00	1.80*	61.00	74.00	2.4
Bharat Gears (10)	60.00	27.50	1.80	32.00	32.00	5.6
Blue Star (10)	92.50	32.50	2.00	85.00	95.00	2.1
Elecon (10)	108.00	54.50	1.70	90.00	105.00	2.6
Greaves Cotton (100)	350.00	202.50	17.00*	240.00	240.00	7.1
Hind Lever (10)	128.00	50.75	2.40	151.50	156.00	1.5
Ingersoll Rand (10)	365.00	159.00	3.50	400.00	470.00	0.8
KEC Int. (10)	40.00	24.00	1.25	22.00	22.00	5.6
Kinetic Engg. (10)	360.00	128.00	2.50	315.00	325.00	0.8
Kirloskar Cummins (100)	753.50	500.00	15.00	520.00	517.50	2.9
Kirloskar Oil (10)	36.00	19.50	1.25	17.00	16.00	7.8
Larsen & Toubro (10)	193.00	72.00	2.40	193.00	136.00	1.8
Mahindra & Mahindra (10)	102.00	47.50	1.80*	59.00	65.00	2.8
Otis Elevator (10)	215.00	85.00	2.50	112.00	115.00	2.2
Premier Auto (100)	650.00	310.00	21.00	815.00	822.50	2.5
Pressure Cookers (10)	49.00	25.00	1.90	38.50	37.00	5.1
Tata Engg. (100)	1030.00	406.00	23.00	860.00	730.00	3.2
Voltas (100)	470.00	358.00	10.00*	225.00	225.00	4.4
Automobiles						
Bajaj Auto (100)	2075.00	855.00	30.00	3000.00	3350.00	0.9
Bajaj Tempo (10)	280.00	143.00	2.50	115.00	135.00	1.9
Escorts (10)	102.00	45.75	2.20	102.00	103.00	2.1
Motor Industries (100)	815.00	321.25	15.00	890.00	945.00	1.6
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	175.00	175.00	5.7
Bajaj Electricals (100)	340.00	115.00	20.00*	722.50	750.00	2.7
Bharat Bijlee (100)	300.00	105.00	16.00	420.00	420.00	2.8
Crompton Greaves (100)	350.00	257.50	10.00	240.00	240.00	4.2
Peico Electronics (10)	103.00	38.50	2.00	58.00	58.00	2.4
Siemens India (10)	87.50	38.00	1.40	76.00	74.00	1.9
Dyes & Chemicals						
Amer Dye-Chem (100)	95.00	62.50	12.00*	48.75	42.50	28.2
Bayer (100)	480.00	320.00	18.00	525.00	535.00	3.4
I.E.L. Ltd. (10)	80.00	32.70	2.00	68.00	71.00	2.8
Colour-Chem (100)	335.00	185.00	12.00*	270.00	265.00	4.5
Cynamid (10)	80.00	35.00	25.00*	67.50	67.50	37.0
Glaxo (10)	75.00	23.75	1.80	69.00	70.00	2.5
G S F C (100)	895.00	534.00	24.00	1740.00	1770.00	1.4
Herdillia Chem (10)	67.00	25.50	1.80	45.00	46.50	3.9
Mafatlal Dyes (10)	33.00	23.50	1.70	26.50	26.50	6.4
Mangalore Chem (10)	50.00	19.50	N.A.	56.00	51.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	290.00	275.00	5.8
Indian Organic (10)	141.00	50.25	18.00*	85.00	84.00	21.4
Pfizer (10)	100.00	39.00	2.00	102.00	101.00	2.0
Polychem (50)	181.00	60.00	10.00	105.00	120.00	8.3
Sandoz (10)	80.00	31.00	1.40	90.00	87.00	1.6
Sandvik Asia (100)	575.00	340.00	10.00	590.00	570.00	1.8
Tata Chem. (10)	155.00	64.50	2.50	112.00	115.00	2.2
Warner Hind (10)	75.00	36.00	2.50*	75.00	70.00	3.5
Zuari Agro (10)	94.00	46.00	2.25*	95.00	95.00	2.4
Shipping						
Chowgule (10)	16.50	5.00	N.A.	8.50	8.00	...
Great Eastern (10)	34.00	14.25	0.70	27.00	26.25	2.7
Scindia (20)	21.50	7.00	N.A.	10.00	9.75	...

BOMBAY

Name/Industries	1985 Price range High	Low	Dividend per share	Opening 2-6-86	Closing 11-6-86	Yield
1	2 (Rs.)	3 (Rs.)	4 (Rs.)	5 (Rs.)	6 (Rs.)	7 %
Cement						
A C C (100)	510.00	380.00	20.00	274.50	275.00	7.3
Digvijay Cement (100)	230.00	180.00	20.00	175.00	195.00	10.3
Mysore Cement (10)	48.00	30.00	1.75	27.00	28.00	6.3
Raasi Cement (10)	60.00	31.00	1.80	30.00	30.00	6.0
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	215.00	240.00	6.7
Blow Plast (10)	122.00	44.00	2.50*	110.00	106.00	2.4
Colgate (10)	318.00	143.50	7.00*	272.50	288.50	2.4
East India Hotels (10)	53.00	25.50	2.00	47.00	46.00	4.3
Garware Marine (10)	33.00	14.00	1.40*	15.00	14.50	9.7
Gujarat Alkali (10)	65.00	38.00	2.50	71.00	70.50	3.5
Harri Malayalam (10)	76.00	38.00	2.50	44.50	47.00	5.3
Indian Hotels (10)	135.00	77.00	2.50	135.00	147.50	1.7
I.T.C. (10)	59.80	29.00	2.25	68.00	68.00	3.3
Lohia Machine (10)	85.00	43.50	2.00	51.00	42.00	4.8
Ponds (10)	218.00	103.00	4.50	255.00	305.00	4.5
VST Ind (10)	38.50	21.00	2.30	27.50	26.50	8.6
Wimco (10)	71.00	38.50	2.00	63.00	64.00	3.1

CALCUTTA

Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	15.75	14.85	6.7
J. K. Cotton (10)	64.00	18.00	1.20*	67.50	66.00	1.8
Kesoram Ind (10)	85.00	52.00	2.35	74.00	70.00	3.4
Jute						
Birla Jute (10)	105.00	51.50	1.85	50.75	50.50	3.7
Reliance (10)			1.75*	48.00	48.00	3.6
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	107.00	123.00	1.8
Indian Oxygen (10)	66.30	42.75	2.00*	55.50	57.00	3.5
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	20.75	20.75	7.2
Guest Keen (10)	35.25	20.00	0.50	20.30	20.35	2.5
India Foils (10)	78.00	38.75	2.00*	77.00	80.50	2.5
Macneil Magor (10)	250.00	127.00	12.00	32.50	32.50	36.9
Metal Box (10)	25.00	11.50	0.80*	18.60	20.80	3.8
Union Carbide (10)	38.00	16.75	0.50	26.50	26.50	1.9
Usha Martin (10)	48.00	26.00	1.60*	33.50	36.00	4.4
Tea						
Basmatia (10)	44.75	35.25	3.00	32.25	32.25	9.3
Brooke Bond (10)	83.00	46.50	2.50	86.50	84.00	3.0
Tata Tea (10)	177.00	64.00	5.00*	78.25	87.00	5.7
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	116.50	116.50	1.5
Davy Ashmore (10)	30.00	18.25	1.50*	17.00	18.25	8.2
English Elec (10)	114.00	70.00	3.50	117.00	117.00	3.0
Hindustan Motors (10)	127.00	37.10	2.00	50.80	51.80	3.9
Remington Rand (10)	80.00	36.50	2.00	34.50	34.50	5.8
Uni Cables (10)	65.00	26.50	1.50	74.00	74.50	2.0

DELHI

Amrit Banaspati (10)	48.00	15.00	1.20*	32.50	33.00	3.6
D C M (25)	82.00	48.25	3.75	37.00	44.00	8.5
Escorts (10)	102.00	45.75	2.20*	103.50	105.50	2.1
Goetze India (10)	61.00	21.00	1.80*	47.50	51.00	3.5
Jagatjit Cotton (10)	—	—	1.40*	70.00	82.00	1.7
Kelvinator (10)	105.00	49.00	1.60	75.00	78.50	2.0
Modi Industries (10)	87.00	16.50	1.80	38.00	39.00	4.6
Prakash Tubes (10)	24.50	18.00	1.50	22.00	21.00	7.1

AHMEDABAD

Anil Starch (100)	225.00	147.00	18.00	192.00	177.50	10.1
Aruna (100)	200.00	105.00	15.00*	162.00	157.0,	9.6
Atul Prod. (100)	667.00	311.50	20.00	458.00	452.00	4.4
Bharat Vijay (100)	255.00	167.50	10.00	191.25	202.50	4.9
Calico (125)	235.00	108.00	N.A.	115.00	123.00	...
Cellulose Prod. (100)	—	—	8.00*	90.00	90.00	8.9
Guj. Steel (100)	300.00	140.00	15.00	215.00	215.00	7.0
Mafatlal Ind. (100)	390.00	235.00	22.00	483.00	475.00	4.6
Vallabh Glass (100)	275.00	105.00	22.00*	105.00	105.00	21.0

MADRAS

Aluminium Ind. (10)	17.00	5.00	1.50*	8.00	7.50	20.0
Amrutanjan (10)	—	—	3.50	110.00	75.00	4.7
Andhra Cement (10)	—	—	1.50	24.00	24.50	6.1
Ashok Leyland (10)	58.00	25.00	1.80*	27.50	30.00	6.0
Enfield India (10)	101.00	45.00	2.00	51.00	50.00	4.0
Indian Cement (10)	46.00	20.00	2.00	32.00	27.00	7.4
Kothari Ind (10)	34.50	19.00	1.20*	16.00	16.00	4.5
Madura Coats (10)	69.00	27.25	2.50	57.00	58.00	4.3
Mysore Lamps (10)	84.00	40.00	2.50	57.00	57.00	4.4
Textool (100)	265.00	182.00	18.00	265.00	256.00	6.8

* Latest Available

Gainers	Between 2nd June and 13th June
Ashok Leyland(10)	+ 0.50
Bajaj Auto(100)	+275.00
Brooke Bond(10)	+ 0.75
Chloride India(10)	+ 7.00
DCM(25)	+ 10.00
Hoechst(100)	+ 10.00
India Sewing(10)	+ 1.00
J.K. Synthetics(10)	+ 4.50
Jayant Vitamins(10)	+ 12.00
Nocil(100)	+ 5.00
Orkay(10)	+ 7.00
Searle(10)	+ 20.00
Vam Organic(10)	+ 3.50
20th Century(10)	+ 3.00
Tata Tea(10)	+ 6.00

Losers	Between 2nd June and 13th June
A.C.C.(100)	– 10.00
Andhra Cement(10)	– 2.50
Assam Frontier(10)	– 0.50
Avery(10)	– 6.00
Atash Leasing(10)	– 7.50
BASF(10)	– 12.50
Bata(10)	– 2.00
Bihar Alloys(10)	– 2.50
Bombay Dyeing(25)	– 6.50
CIFCO(10)	– 1.00
Deepak Fert(10)	– 2.00
Escorts(10)	– 1.00
Garware Polyester(10)	– 9.00
GNFC(10)	– 6.50
GSFC(100)	– 55.00
Gwalior Rayon(10)	– 4.25
Hind Alu(10)	– 4.50
Hind Lever(10)	– 1.00
Hind Motor(10)	– 3.50
Ind Organic(10)	– 16.50
Ind Rayon(10)	– 7.50
ITC(10)	– 4.00
Larsen & Toubro(10)	– 5.00
MICO(10)	– 20.00
Mukand(10)	– 2.50
Pfizer(10)	– 5.00
Pr.Auto(100)	– 77.50
Reliance(10)	– 12.00
Standard Mills(100)	–150.00
Tata Chemicals(10)	– 9.00
TELCO(100)	– 60.00
TISCO(100)	– 15.00
Tata Oil(25)	– 2.00
Zenith(10)	– 2.00
Zuari(10)	– 7.00

Indian commodity prices

Commodity	Variety/Centre	1985		Prices as on	
		High	*Low*	*May 30, 1986*	*June 13, 1986*
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	285.00	280.00
Rice	Sela-Hapur	319.00	261.00	302.50	310.00
Gram	Desi-Bombay	607.50	437.50	477.50	467.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	611.00	609.00
Edible oils (per tonne)					
Groundnut	Wholesale Bombay	16,408.00	13,962.00	17,628.00	19,500.00
Mustard (tin)	K.Ghani-Delhi	197.50	175.50	240.00	242.50
Coconut	Cochin	31,750.00	14,700.00	19,300.00	19,300.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,700.00	5,700.00
Angles	75x75x6mm	6,900.00	5,550.00	6,300.00	6,300.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,610.00	4,685.00
Lead	Bombay	1,265.00	1,210.00	1,425.00	1,420.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,500.00	1,950.00	2,750.00	2,725.00
Re-rollable	Bombay	4,325.00	3,275.00	4,275.00	4,250.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	178.00	178.00
Caustic	Flakes	385.00	300.00	385.00	385.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	60.00	61.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on	
			May 30, 1986	*June 13, 1986*
Gold	London	$/ounce	341.60	347.50
	Zurich	$/ounce	341.80	347.60
	Hong Kong	$/ounce	342.10	347.80
Silver	New York	Cents/ounce	512.00	539.00
Copper (w.bar)	London	£/tonne	915.00-916.00	914.00-915.00
Soyabean oil	Chicago	Cents/pound	18.30	18.40
Palm oil	Malaysia	$/tonne	510.00	600.00
Castor oil	Rotterdam	$/tonne	750.00	725.00
Black pepper	Singapore	$/quintal	915.00	825.00
Rubber	Malaysia	$/tonne	181.00-182.00	185.00-186.00

Edible oils spurt

A sharp upswing in edible oil prices was the feature of trading in the Indian commodity markets during the fortnight ended 13th June 1986.

Edible oils. Groundnut oil prices shot up by about Rs. 1,900 per tonne to Rs. 19,500 because of a shortage of supplies. The sentiment was boosted by reduced arrivals from Gujarat, the groundnut bowl of the country, on account of prevailing drought conditions. The rising price trend was further aided by reports from the north that the rapeseed crop this season will not exceed 2.7 million tonnes as against the earlier estimate of 3.5 million tonnes and the actual production of 3.2 million tonnes attained last year. Consequently, the prices of all other edible oils including soyabean, rapeseed and *kardi* oils also advanced in line with groundnut oil prices.

Foodgrains. While rice prices ruled better, wheat prices were quietly steady. Among pulses, *moong* prices tended to look up because of better offtake.

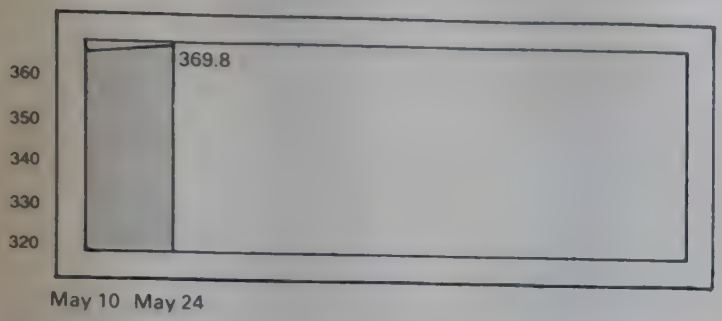
Sweetening agents. Sugar prices moved narrowly in restricted trading activity. *Gur* prices ruled steady to better.

Fibres, yarn. Viscose rayon yarn prices ruled quiet at lower levels as demand was subdued even at reduced prices. Nylon and polyester filament yarn prices exhibited a steady tendency, while cotton prices firmed slightly because of improved offtake. The reported buying of a sizeable quantity of cotton by the Cotton Corporation of India from the Maharashtra Federation also aided the improved tendency.

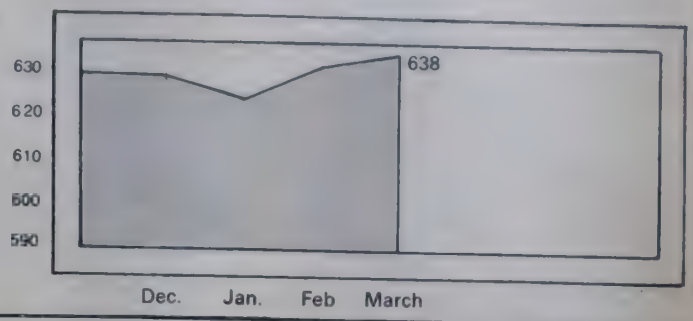
Dyes, chemicals. Soda ash prices were subdued because of large scale imports. Major domestic manufacturers are reported to be nursing huge stocks of unsold chemicals.

Steel, metals. Steel prices were steady during the fortnight. Among non-ferrous metals, copper prices tended to look up modestly. The cement and *kirana* markets ruled steady in restricted activity.

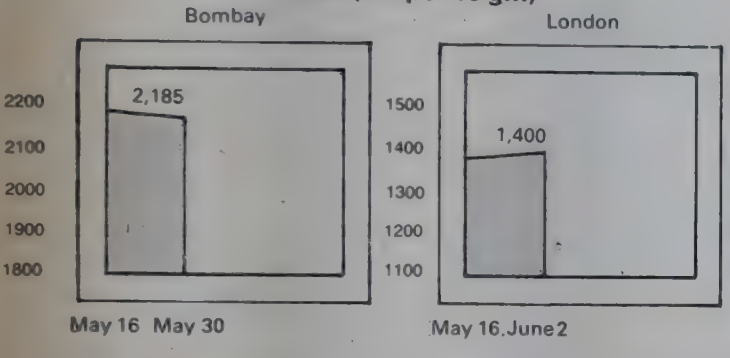
Wholesale Price Index (1970-71=100) 1986



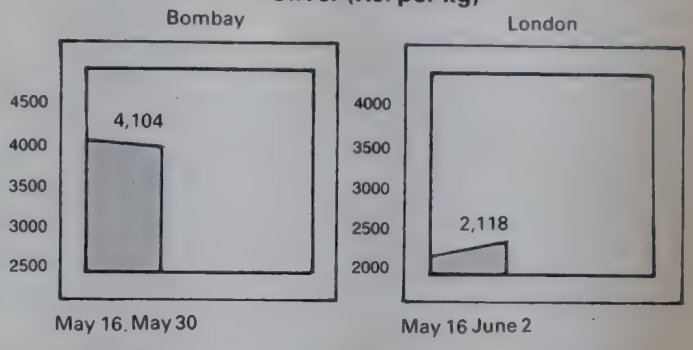
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 3rd June 1986

	One month	Three months	Six months	One year
Sterling Pound	10.13	9.75	9.69	9.56
US dollar	7.19	7.19	7.31	7.50
West German Mark	4.69	4.69	4.75	4.88
Japanese Yen	4.81	4.81	4.88	5.00

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 May 24	1986 May 23
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

***Money Supply (M3)**	**(Rs.crores)**	**% change over**	
May 9, 1986	1,20,764	Fortnight	+1.2
April 25, 1986	1,19,353	Year	+16.2
May 10, 1985	1,03,907	Two years	+36.7

**** Aggregate Deposit**	**(Rs.crores)**	**% change over**	
May 9, 1986	88,901	Fortnight	+0.5
April 25, 1986	88,417	Year	+18.4
May 10, 1985	75,072	Two years	+40.8

***** Foreign Exchange Reserves**	**(Rs.crores)**	**% change over**	
May 9, 1986	5,655	Fortnight	−0.9
April 25, 1986	5,706	Year	−6.1
May 10, 1985	6,024	Two years	+24.2

Bank credit	**(Rs.crores)**	**% change over**	
May 9, 1986	81,593	Fortnight	+0.4
April 25, 1986	81,245	Year	+15.1
May 10, 1985	70,889	Two years	+35.0

Foreign Exchange Rates (Spot) 1985
Buying Rs.

	1986 May 30	1985 May 31
One P. Sterling	18.91	15.91
One US Dollar	12.74	12.45
One D. Mark	5.51	4.03
One hundred J. Yen	7.41	4.94

CSO Index of Industrial Production (1970=100) 1985

June	192.6	December	222.0
July	198.5	**1986**	
August	196.5	January	224.0
September	201.2	February	214.3
October	202.4	March	239.0
November	206.4	April	207.0

Notes:
* *Comprises currency with the public plus deposit money of the public plus time deposit with banks*
** *Demand deposits plus time deposits with all scheduled banks*
*** *Including SDRs, excludes gold coins*

The Bechtel shadow

The award of the HBJ pipeline contract to the consortium led by the French firm Spie Capag was the surprise package of the decade. Most monitors of the industry scene in the capital were certain that the powerful Snamprogetti would get the nod. Yet it is increasingly being asked if the relatively unknown Spie Capag had some heavyweight help which helped turn the tide in its favour. According to some of these monitors, behind the Spie-NKK-Toyo consortium lurks the shadowy figure of Bechtel Corporation, USA, one of the most powerful corporations in the world which the incumbent US secretary of state George Schultz served before moving over to the US state department.

Although it was once felt that Bechtel was itself interested in bagging the HBJ pipeline contract, these monitors say that it finally chose to stay in the background and back the Spie Capag bid instead. Although most of these monitors admit that Bechtel will be involved in the execution of the construction contract, no one is quite sure what its role is likely to be. Some believe that it is a consultant to the telecommunications part of the work, others insist that it is a back-up consultant to Engineers India Ltd.

However, the final act of the HBJ pipeline contract drama has not yet been enacted. Reports in New Delhi suggest that the Snamprogetti management is contemplating a court room battle by challenging the credentials of the Spie Capag consortium and the alleged irregularities in the manner in which the contract was awarded.

Never-never revolution

With the annual production of automotive two-wheelers having risen by 103.6% from 4.17 lakhs in 1980 to 8.49 lakhs in 1984, and an estimated one million in 1985, not a few automotive two-wheeler manufacturers are beginning to feel the heat of competition. Among them, is the Madras-based Enfield India Ltd. (EIL), which seems to be having problems selling its two-wheelers. According to company sources, the monthly offtake of their erstwhile 'cash-cow', the Bullet 350 cc motorcycle, has declined from 2,200-2,400 units hitherto to 1,800 units. Likewise, the sales performance of the newer models — Silver Plus and Explorer — is not too encouraging either, reportedly because of 'technical problems' with the two models. The monthly sale of both the models put together is estimated at 2,500.

Consequently, in an imaginative bid to boost sales, the EIL management has resorted to offering lease and hire purchase facilities through another group company, Enfield Business Finance & Leasing Ltd. (EBF). Under the arrangement, EIL's automotive two-wheelers are sold directly to the employees of an organisation by EIL, the purchase being financed by a hire purchase loan from EBF. The employer organisation undertakes to deduct this loan from employees' salaries and remit payment to EBF, without obligation to pay in case of default. The first such deal was done 'in-house', under which about 1,000 Silver Plus and Explorer vehicles were purchased by EIL employees. Since then, other companies such as Shaw Wallace (200 vehicles) and Ennore Foundries (2,000) have also signed up with EIL/EBF under the scheme.

Despite EIL's none-too-encouraging state of affairs, the company plans to introduce a new model, the 175 cc Fury, to be priced around Rs. 16,000-17,000, in the last quarter of 1986. The way things are shaping in Madras, EIL may well introduce the belated never-never (hire purchase) revolution into the automotive industry in India.

Win some, lose some

A flurry of activity has broken out in Tobacco House, the headquarters of the Calcutta-based Gouri Prasad Goenka. Two months ago, Goenka acquired the Saharanpur-based Star Paper Mills Ltd. (sales: Rs. 40 crores in 1985), a company which requires considerable injections of managerial and financial inputs to put it back on the road to profitability. Almost simultaneously, Goenka had sold the excise burdened New Tobacco Co. (NTC), a subsidiary of his flagship Duncan Agro Industries Ltd., to the N.K. Jain-M.V. Rao combine — the latter being an Andhra Pradesh tobacco merchant and long time distributor for New Tobacco.

But despite the tacit promise by the new owners to retain all NTC employees, half a dozen senior managers — and not all from the troubled NTC either — are about to quit the Goenka fold, disheartened perhaps by the sale. But given the fact that Goenka is going full steam ahead with his two new joint sector projects — an acrylic fibre project together with the West Bengal Industries Development Corporation and an electronics project together with WEBEL — a hunt is bound to be mounted to find managers to head these new units.

Quite clearly, in the corporate game of acquisitions and disposals you win some and lose some and Goenka is obviously prepared for both eventualities.

Curious coincidence

The devastating *Indian Express* exposures giving details of what the daily refers to as the 'Reliance loan *mela*' (15th, 16th and 17th May) has singled out the board of the Bank of India (BOI) for particularly harsh criticism. According to *Express* reports, the chairman and the board of the bank remained passive onlookers even though bank officials blatantly flouted the board's instructions not to advance loans to the promoter directors of Reliance Industries.

Nor was this the sum and substance of the criticism to which the bank's management was subjected. On 28th May the *Express* also featured a front-page report in which it highlighted a transaction under which a very expensive residential flat in Bombay's up-market Carmichael Road, which was mortgaged to the bank, was permitted to be sold to "a leading industrialist" (read Dhirubhai Ambani) for a sum of Rs. 22 lakhs as against its reported market value of Rs. 80 lakhs.

However, not a few suspicious monitors of the indigenous industry scene tend to discern a connection between the fact that the BOI occupies an entire floor of the Express Towers Building owned by Indian Express Newspapers Bombay Pvt. Ltd., for which it is currently paying a rent of Rs.2.50 per sq. ft., and the *Express* vendetta. Given the skyrocketing rents in the Nariman Point area where Express Towers is located — the going rate at the moment being Rs.30 per sq. ft. — the Express management is anxious to revise BOI's rent upwards. Its asking rate: Rs.12.50 per sq. ft. As against this, the BOI management is reportedly unwilling to pay more than Rs.6 per sq. ft. and failing an agreement, has reportedly hinted at the possibility of filing a suit for standard rent, which could well be less than Rs. 6 per sq. ft.

Could the two issues be linked? Perish the thought!



Are you ready for the best in life?

There's only one thing that stands between a man and the best things in life. A decision. A sharp-edged decision in favour of excellence. Even in the choice of a blade.

Savage. A classic of Wilkinson technology. A blade like no other. The only one with the unique Gothic Arch edge. Specially triple coated with polytetrafluoroethylene and chromium and ceramic. For the smoothest, most pleasurable shaves. Day after day after day.

Get the Savage experience.
It's ready. When you are.

Wiltech India Ltd.

M1199R

MH/BYS-14
TN/MS(C)/

You just can't beat a BAJAJ



The scooter that carries the entire population of an average Indian city—over 4 million people

Which Indian scooter can claim the privilege of carrying so many people? Only Bajaj. Because only Bajaj has nearly 2 million scooters on the road today. Considering 2 persons per Bajaj makes it 4 million people.

Which makes Bajaj the most popular scooter in the country with more scooters on the road than all the others put together!

Yes, Bajaj is India's first choice in scooters.

Ask any of those 2 million Bajaj owners and they'll tell you:

You just can't beat a Bajaj!

bajaj auto

Akurdi, Pune 411 035

LINTAS BAJ 37 2821

